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REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE
ACCOUNTS OF 1930-31

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Volume I—REPORT

PART I

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* *Appendix XXIV.*—The Proceedings of the Military Accounts Committee were originally treated as Appendix XXIV, but were subsequently described as Annexure I to Annexure B to the Report of the Public Accounts Committee.

COMPOSITION OF THE COMMITTEE ON PUBLIC ACCOUNTS WHICH MET IN 1932
(*vide* RULE 51 OF THE INDIAN LEGISLATIVE RULES).

Chairman.

- | | |
|------------------------------------|--------------------|
| 1. The Hon'ble Sir Alan Parsons .. | .. Finance Member. |
|------------------------------------|--------------------|

Elected Members.

Date of Election.

- | | |
|------------------------------------|---------------------|
| 2. Sardar Sant Singh | .. 16th March 1931. |
| 3. Mr. B. Das | .. 16th March 1931. |
| 4. Mr. Abdul Matin Chaudhury .. | .. 16th March 1931. |
| 5. Mr. Muhammad Anwar-ul-Azim .. | .. 16th March 1931. |
| 6. Rao Bahadur M. C. Rajah .. | .. 24th March 1932. |
| 7. Mr. T. N. Ramakrishna Reddi .. | .. 24th March 1932. |
| 8. Kunwer Hajee Ismaiel Alikhan .. | .. 24th March 1932. |
| 9. Mr. S. C. Mitra | .. 24th March 1932. |

Nominated Members.

Date of Nomination.

- | | |
|----------------------------------|-------------------------|
| 10. Maulvi Sir Muhammad Yakub .. | .. 21st March 1931. |
| 11. Mr. J. Ramsay Scott | .. 21st March 1931. |
| 12. Dr. R. D. Dalal | .. 23rd September 1931. |
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Report of the Public Accounts Committee on the Accounts of 1930-31.

I.—PRESENTATION OF THE REPORT IN TWO PARTS.

1. We have completed our examination of the Appropriation Accounts prepared by the Accountant General, Central Revenues, the Accountant General, Posts and Telegraphs, and the Financial Adviser, Military Finance, along with connected documents. We present the first part of our report dealing with these accounts and shall present the second part at a subsequent session of the Assembly. This procedure, which is in consonance with the practice of the Public Accounts Committee in the United Kingdom, will enable departmental action to be taken more quickly on our recommendations than if we had to wait for the completion of our examination of the Railway Accounts before making our report.

II.—EXCESS VOTES.

2. *General Summary.*—The following table compares the total grants voted by the Legislative Assembly with the total expenditure against those grants :

(In lakhs of rupees.)*				
	Original grant.	Supplementary grant.	Final grant.	Actual expenditure.
Expenditure charged to Revenue ..	1,09,73	13,99	1,23,72	1,22,32
Expenditure charged to Capital ..	19,05	12	19,17	14,90
	1,28,78	14,11	1,42,89	1,37,22
Disbursements of loans and advances ..	8,57	1,86	10,43	12,55
Grand Total ..	1,37,35	15,97	1,53,32	1,49,77

3. The following table compares the non-voted appropriations sanctioned by the Government of India with the total expenditure against such appropriations :

(In lakhs of rupees.)				
	Original Appropriation.	Supplementary Appropriation.	Final Appropriation.	Actual expenditure.
Expenditure charged to Revenue ..	1,19,36	9	1,19,45	1,19,59
Expenditure charged to Capital ..	2,19	11	2,30	2,29
Total Expenditure ..	1,21,55	20	1,21,75	1,21,88

*The figures in paragraphs 2 to 6 include Railway figures.

4. The position regarding total expenditure, voted and non-voted, is as follows :

(In lakhs of rupees.)				
		Original grant.	Final grant.	Actual expenditure.
Expenditure charged to Revenue	2,29,09	2,43,17	2,41,91	
Expenditure charged to Capital	21,24	21,47	17,19	
Total Expenditure	2,50,33	2,64,64	2,59,10	
Disbursements of loans and advances	8,57	10,43	12,55	
Total	2,58,90	2,75,07	2,71,65	

5. *Savings*.—There was thus a saving of 3,42 lakhs or 1.2 per cent. in the final grant. The percentage compares as follows with the results of previous years :

	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.
Expenditure charged to Revenue	2.9	.6	1.1	1.4	.5
Expenditure charged to Capital	5.8	2.4	3.8	10.2	19.9
Disbursements of loans and advances.	16.1	.1	— .3	— .3	—20.3
Combined percentage ..	3.8	1.0	1.4	2.4	1.2

6. The following table compares the percentage of savings under voted grants for expenditure proper (i.e., exclusive of disbursements of loans and advances) with that of savings in non-voted appropriations :

Year.	Voted.	Non-voted.
1926-27	5.2	1.0
1927-28	— .4	2.8
1928-29	2.4	.3
1929-30	4.0	.8
1930-31	4.0	— .1

7. *Accuracy of budgetting, control over expenditure, etc.*—So far as the Civil Departments are concerned, we agree with the Auditor General and the Accountant General, Central Revenues, that while there is no room for relaxation of effort, the estimation and control of expenditure show a reasonably high standard of attainment in the greater part of the field. The percentage of savings for voted expenditure would have been smaller but for the efforts made to economise in pursuance of the pledge given by the Hon'ble the Finance Member to the Legislative Assembly that every avenue of retrenchment would be explored. The possibility of improving the method of estimation of charges on account of 'Pay of Officers' and 'Pay of Establishments' has been engaging the attention of the Finance Department of the Government of India and we note with satisfaction that the result has been a continuous decline in the percentage of savings from 6.2 per cent. during the year 1926-27 to 1.4 per cent. in 1930-31.

Our view in regard to the Posts and Telegraphs Department is not, however, so favourable, as the detailed appropriation accounts indicate that there is still great room for improvement in the methods and practice of financial control. We were informed by the Director-General, Posts and Telegraphs, that steps have already been taken to remedy the defects in the existing procedure of financial control and the Accountant General, Posts and Telegraphs, has undertaken at our instance to bring to notice in his subsequent reports whether the steps now taken have led to the improvements hoped for.

Turning next to the accounts of Army, Marine and Military Engineer Services, we agree with the Financial Adviser that from the point of view of military expenditure the year 1930-31 was on the whole an abnormal year in which the original estimates were upset by a number of unexpected factors which disturbed more or less seriously the appropriation under every head of the military budget. The actual gross expenditure was, however, very close to the estimates mainly due to the fact that the disturbing factors tended to cancel one another and we think it reasonable to conclude with the Auditor General that the advantage taken of the favourable factors in the situation reflects efficiency of financial control.

8. *Excesses.*—In the following cases the actual expenditure exceeds the voted grants and an excess vote of the Assembly is accordingly required :

Item No.	No. of Grant.	Grant.	Amount voted by the Assembly.	Actual expenditure.	Excess.
			Rs.	Rs.	Rs.
		<i>Civil.</i>			
1	71	Mint	48,06,000	48,29,675	23,675
2	73	Superannuation Allowances and Pensions	40,40,000	46,45,127	6,05,127
3	74	Stationery and Printing ..	51,34,000	52,19,605	85,605
4	76	Refunds	75,47,000	87,36,271	11,89,271
5	95	Commuted Value of Pensions	28,55,000	31,75,354	3,20,354
6	98	Loans and Advances bearing interest	9,48,35,000	11,79,23,871	2,30,88,871
		<i>Posts and Telegraphs.</i>			
7	23	Indian Posts and Telegraphs Department	11,34,04,000	11,39,41,109	5,37,109

9. The individual items of excess are explained below :

Item 1.—The excess was due to the loss on nickel coinage being more than estimated. A supplementary grant of 21.5 lakhs was obtained : this was based on the actual return of coin from circulation till the end of December and the anticipated return in the last quarter of the year. The final figures exceeded expectations.

Item 2.—As explained by the Accountant General, Central Revenues, the abnormal growth in the pension list and an unanticipated adjustment after the close of the year of the commuted value of

pensions of the Irrigation Department establishment for services rendered prior to the 1st April, 1921, were mainly responsible for the excess.

Item 3.—The excess occurred mainly under 'Stationery Stores purchased in India' to meet unforeseen demands from indenting officers.

Item 4.—The excess of about 10 lakhs under 'Customs' was due to large refunds on account of silver and goods re-exported to Afghanistan on the resumption of trade with that country. A supplementary grant of 11·87 lakhs was obtained, but it proved inadequate.

Item 5.—The excess was due to a mistake in the Account Office owing to a misapprehension of the position. Steps have been taken to avoid such mistakes in future.

Item 6.—The excess was the result of unexpected overdrafts by certain Provincial Governments towards the close of the year. We refer to this point in a later paragraph of our report.

Item 7.—The excess was mainly due to an under-estimate of the normal growth of pay of permanent establishments and to increased payments of subsidies to Railway Companies. There were also excesses under other heads which were more than counter-balanced by savings due to reduction in the programme for maintenance and repair work of buildings, etc., change in the classification of the pay of certain officers from voted to the non-voted category and a smaller contribution to the Depreciation Fund.

10. We recommend that the Assembly should assent to the excess grants detailed in paragraph 8 above.

11. *Reappropriations, etc.*—Rule 52(2) of the Indian Legislative Rules requires that we should bring to the notice of the Assembly every re-appropriation from one grant to another grant, every re-appropriation within a grant, which is not made in accordance with such rules as may be prescribed by the Finance Department, and all expenditure which the Finance Department have requested should be brought to the notice of the Assembly. We are glad to be able to report that there have been no re-appropriations falling under these categories during the year, nor have the Finance Department requested us to bring to the notice of the Assembly any particular item of expenditure.

III.—COMMENTS ON MATTERS OUTSTANDING FROM PREVIOUS REPORTS.

12. *Loans for capital expenditure.*—The Public Accounts Committee in reporting on the accounts of 1929-30 observed that the examination of the financial prospects of projects for which the Government of India were asked to advance loans to Provincial Governments or to Indian States must be regarded as one of the most vitally important duties of that Government. The Committee recommended that the Finance Department of the Government of India should be so organised as to be able to discharge its ultimate responsibility in this respect. We were informed by the Financial Secretary that, apart from noting this recommendation for future consideration in connection with the impending constitutional changes, no further action had been taken by

Government in the matter. We understand that this decision was due to the fact that the Government of India have placed an embargo on any loans for new works during the current year and that this may last till the establishment of the new constitution, and that the rules relating to the grant of loans to Provincial Governments and the States will have to be entirely recast in connection with the constitutional changes. In view, however, of the possibility of the embargo being removed earlier than contemplated, we recommend that the Finance Department of the Government of India should examine the recommendation, referred to above, more thoroughly than it has yet done and take such steps as it may consider necessary to meet the situation during the *interim* period between the removal of the embargo and the inauguration of the new constitution.

13. *Execution of works through departmental agency.*—The attention of our predecessors was drawn to the large number of financial irregularities that had occurred in the execution of works through departmental agency in the United Provinces and elsewhere. We are glad to note that the Government have at last been able to settle the question by deciding that, except repairs and petty works costing less than Rs. 2,500, which may be executed through departmental agency, all other civil works including works in the Posts and Telegraphs Department should be executed through the Public Works Department. No new rules will thus be required. The Public Works Department Code will apply in all cases in which work is carried out by the Public Works Department and the requirements of audit will thus be fully satisfied in all cases of importance. We were informed by the Chief Engineer that the only departments to which this decision will not apply are the Archæological and Salt Departments. The work in the former department is of a very special nature and requires a special staff. As regards the Salt Department, we were assured that the assistance of the Public Works Department was invoked whenever necessary. We consider this decision, which has been welcomed by the Auditor General, to be very satisfactory.

14. *Police clothing and equipment funds.*—The Public Accounts Committee dealing with the accounts of 1928-29 asked that a note should be submitted on the Police Clothing Fund in Baluchistan as well as on any other funds of the kind which might be in existence. A note was accordingly furnished by the Agent to the Governor General, Baluchistan, to the Committee of last year explaining the procedure followed and giving for a number of years the receipts, expenditure and balances of the funds in existence in two Police districts in Baluchistan. This was the starting point of a thorough investigation by the Auditor General into the question of the audit of these and similar funds to see whether proper rules governing their operations had been framed, whether the accounts were audited with reference to those rules and stores in stock and how the procedure compared with that obtaining in the Army and in various provinces. We are grateful to the Auditor General for a comprehensive note on the subject which is printed as Appendix XIII to our report. We agree that the 'fund' system has distinct advantages over the 'direct charge' system in that it must tend to focus attention on the part of heads of departments on the financial aspect of clothing and equipment administration and makes it possible to avoid the large fluctuations in annual

expenditure which appear to be an inevitable result of the ' direct charge ' system. The success of the system depends on a proper maintenance of the fund with stock accounts which should be subject to local test audit. We recommend the continuance of the system on the distinct understanding that proper steps will be taken for the accounting and audit of the transactions of the fund, both as regards cash and stock. We further recommend that each administration should submit to the Finance Department of the Government of India with its budget proposals for contributions for the ensuing year a review of the situation as regards the total transactions for the past, current and ensuing years and an analysis of the rates of contributions in force with reference to prices and lives of the articles. This review should be accompanied by a statement relating to initial grants, showing whether any increase or reduction in establishment is contemplated and whether, having regard to the balances in the fund, any additional grant is necessary or refund of a portion of a grant given in a previous year is possible.

15. *Disposal of surplus stocks of quinine.*—In paragraph 21 of its report, the Committee of last year drew attention to the large stock of quinine, amounting to about 300,000 lbs. held by the Government of India, and recommended that " the surplus should be disposed of in some way so as either to bring money to the Government of India or to give benefit to the malaria-stricken population of India ". The net stock in hand on the 1st April 1931 was about 306,000 lbs., the manufacture and issues during the year ending about 14,000 and 28,000 lbs., respectively. We understand that the stocks owned by the Governments of Bengal and Madras, who have plantations of their own, are about 120,000 lbs. and that this stock is being annually added to as their manufacture amounts to 60,000 lbs. against consumption of about 45,000 lbs.

We gathered from the departmental witnesses that the only attempt made so far for the disposal of the surplus was to consult the local Governments in regard to a proposal made by the Director General, Indian Medical Service, to sell 20 per cent. of the stock through the local Governments at a specially cheap price. The Government of Bengal who are very closely interested in the matter have not yet communicated their views, while the Government of Madras who have replied are not in favour of the scheme, because if it came into operation, their own factory at Naduvattam would have to work at a greater loss. We tried to ascertain from the witnesses whether there was any difficulty in the way of the Government of India selling their large surplus stock in the market at a lower price than Rs. 18 per lb., and, so far as we could judge from our examination of the position, there seems to be none. It was stated that the existing stock included some portion of the quinine purchased from the Dutch combine and that according to the contract with that body, which, however, expired in 1923, that portion could not be sold at a commercial price. We agree with the departmental witnesses that any difficulty on this account could easily be got over by setting this quantity of quinine apart and not disposing of it at the same price as the rest. So far as the local Governments of Bengal and Madras are concerned, we cannot view with favour any suggestion which allows these Governments to continue their excess production and make net additions from year to year to their stocks, while it forces the Government of India to carry an enormous stock, which at

the existing rate of *net* issues will last for more than 20 years. We, therefore, recommend that the Government of India should come to an early decision regarding the particular proposal referred to above. If they find that the proposal is not supported by the local Governments, they should consider seriously and without any further loss of time the question of selling the entire surplus stock independently, or, if this is not feasible, of using it for the benefit of the people in malaria districts. We further recommend that the Government of India should also examine the possibility of curtailing their annual production and manufacture till these stocks are brought down to reasonable proportions.

16. *Other outstanding recommendations.*—We have considered the explanations furnished and the action taken in regard to the various outstanding recommendations from previous years and enclose as Annexure A to our report a Statement showing the items whose final disposal has to be watched through the quarterly list of outstandings prepared by the Finance Department of the Government of India.

IV.—IMPORTANT COMMENTS ON MATTERS ARISING OUT OF THE ACCOUNTS FOR 1930-31.

17. *General remarks on the preparation of the Appropriation Accounts and the presentation of the results of audit.*—We are satisfied that the Appropriation Accounts presented to us and the reports thereon contain all the information necessary for our purpose. The report of the Accountant General, Central Revenues, has been appreciably reduced in bulk by the elimination of unnecessary detail, and, as indicated by the Auditor General, the presentation of the subject-matter has at the same time been carried out in a manner which is of great practical convenience to us. We specially appreciate the summary in a comparatively brief compass indicating important individual features in the accounts and the general picture of the year's proceedings and results which we found to be of considerable assistance to us in the formulation of our own conclusions regarding the state of the financial administration. The Financial Adviser, Military Finance, has carried out all the suggestions made in paragraph 24 of the Report of the Committee of last year and once more we find his report to be clear and helpful.

18. *Financial irregularities.*—We have gone very carefully into the cases of financial irregularity included in the various reports. Such cases in the civil departments were neither numerous nor serious. Only one case of fraud occurred in Burma where frauds in treasuries have unfortunately been frequent in recent years, and this reduction in number, as pointed out by the Auditor General, seems to be due to the drastic disciplinary action taken by the local Government in the previous cases. There are, however, some "rather unfortunate cases of nugatory expenditure" and some individual cases of irregularity and fraud of a distinctly unsatisfactory character brought to light in the report of the Accountant General, Posts and Telegraphs, which compel us to share the feeling of the Auditor General that the standard of financial discipline in the department had not been sufficiently rigorous in the past.

As regards the Army Department, the matter is dealt with in the Report of the Military Accounts Committee. We should like only to note here that

we recognise that the inclusion of a larger number of cases of financial irregularity in the report by the Director of Army Audit is simply due to an endeavour on the part of that officer to present to the Committee a wider basis on which to judge for itself the standard of financial administration of the military services. We agree with the Auditor General that there has been no deterioration but rather improvement in the efficiency of the internal check of the Military Accounts Department. We further agree that in the period under review the test audit staff appears to have done work of substantial value.

19. *Supplementary grants.*—During the examination of the accounts of the year, we came across various instances where supplementary demands had been presented to the Assembly which subsequently proved to be unnecessary. We discussed with the Financial Secretary the possibility of improving the existing procedure so as to minimise such unnecessary grants of supply. We are here confronted by a dilemma. On the one hand, it is inconsistent with a proper parliamentary control that expenditure should be incurred without appropriation. On the other hand, it weakens the control of Parliament if it is asked to vote unnecessary supplies. We think that the lesser evil consists in forbidding departments to incur any expenditure without appropriation except when it is absolutely necessary and urgent and even then only after obtaining the previous concurrence of the Finance Department, and in arranging to go up to the Legislative Assembly for supplementary grants only when there is really good reason to believe that such additional grants are necessary.

20. *Supplementary grants for loans to the Provinces.*—Our attention was drawn to the large excess of about Rs. 2.67 lakhs over the grant for Advances to the Provincial Loans Fund in spite of the fact that a supplementary grant of Rs. 1.17 lakhs was voted towards the end of the year to make additional advances to certain Provincial Governments. We are satisfied that the general economic depression coupled with local trouble in Burma made estimating more than usually difficult in the Provinces. At the same time we must refer to a practice of Provincial Governments, which in our view must be strongly deprecated. This is the practice of postponing regular applications for loans from the Provincial Loans Fund till after the close of the year and in the meantime of meeting the deficits by overdrawal on balances. Such overdrafts are converted into formal loans when the final accounts of the year are made up by the Auditor General, the loans being treated as having been taken on the last day of the financial year. Although this practice may be to the financial advantage of the local Governments who thereby delay paying interest charges on their overdrafts till the latest possible date, it has at least one decided disadvantage from the point of view of the Government of India and their legislature, namely, that in the absence of timely intimation before the close of the year, it is impossible for the Government of India to obtain the necessary additional grants from their legislature which is thus left to deal with the matter by means of the unsatisfactory device of excess votes. We do not believe that the Provincial Governments are not equipped with the necessary machinery to watch and estimate their own requirements and we therefore desire that the Finance Department of the Government of India should examine departmentally

whether more pressure could be brought to bear on Provincial Governments to foresee their requirements and to intimate these requirements to the Government of India so as to enable the latter to go up to the Assembly for supplementary grants in time and thereby avoid excesses over the grants.

21. *Stores balances.*—Our predecessors emphasised the importance of control over stores and we are glad to observe that the valuable comments made by the Director of Commercial Audit in paragraphs 20 to 22 of his Appendix of accounts and reviews of commercial concerns for the year 1929-30 have, as suggested by them, been brought to the notice of all departments and officers of the Central Government. We observe from the Appendix for the year 1930-31 that the balances of stocks of stores held by the various commercial concerns on the 31st March 1931 were still unduly high. We were assured by the departmental witnesses that the stores balances were being closely watched and reduced wherever possible. For example, in the Mathematical Instrument Office, Calcutta, home indents have been entirely suspended and manufacture is being reduced by short-time employment of workmen. The maintenance of excessive stocks involves the tax-payer in a two-fold loss: There is the loss of interest on capital unnecessarily locked up, and there is the further loss arising from the danger of the stores becoming obsolete and having to be disposed of at a sacrifice later. We, therefore, welcome the suggestion of the Auditor General that a note should be given in future each year, in the Appendix containing the accounts and views of Government commercial concerns, dealing with the question of stocks and indicating whether balances held on the last day of the year were justified.

22. We should like to refer in this connection to a proposal which was made by us to the Director General, Posts and Telegraphs, the general application of which to all departments which have to carry stocks of stores may be found to be of great financial advantage. We were informed by the Director General that from the inordinately high balance of Rs. 2.54 lakhs of stores in 1923-24, the Posts and Telegraphs Department had worked down to an opening balance of about Rs. 41 lakhs at the beginning of the current year; that the minimum balance required on the basis of three months' consumption in the case of stores obtainable locally and six months' consumption in the case of other stores was about Rs. 22 lakhs; and that it was hoped to end the year with a balance estimated at about Rs. 26 lakhs. At our instance, the Director General has undertaken to examine the possibility of reducing the working balance still further by adopting a basis of two months' consumption instead of three months in the case of articles obtainable locally. We recommend that the general question of reducing stocks by revising the basis of calculation of working balances in the manner above suggested, which we understand has already been adopted by the Army authorities, should also be examined by the civil departments.

23. *Trading results of Government of India commercial concerns.*—We have been furnished with a comparative statement showing the net trading results of Government of India commercial concerns during the past three years, in paragraph (xvi) in the opening chapter of the Appendix of the Director of Commercial Audit. As observed by the Director "a notable feature of the

accounts for 1930-31 is the reduction in profit earned, or the increase in loss incurred, at the majority of these concerns, and it may be said that subject to a few exceptions such as the Northern India Salt Revenue Department and possibly the Mints, Government of India commercial concerns have not escaped the result of the growing trade depression during the year under review". While these observations are generally true, there are two concerns under the control of the Department of Education, Health and Lands and the Home Department, respectively, where further action should be possible to reduce the loss.

24. *Wellington Farm*.—We found that the selling price of milk and cream at the Wellington Farm was much below the cost of production as shown below:

					All-in-cost.	Average selling price.					
					Per lb.						
					Rs.	A.	P.	Rs.	A.	P.	
Milk	0	7	4.4	0	3	1.7
Cream	4	10	6.5	1	12	0

The supply is made to the troops stationed at Coonoor and Wellington and we were told that the prices charged are those which were fixed some time ago under an old contract. We do not see the justification for maintaining at the cost of the civil department a dairy and farm at an isolated place like Wellington simply for the purpose of supplying military requirements at less than the cost of production. We therefore recommend that the rates charged to the Army for the products of the Institute should be raised to cover the cost of production, or, in the alternative, that the question of closing down the Institute altogether should be seriously considered.

25. *Andamans Butchery and Dairy*.—Similarly the losses incurred in working the Executive Commissariat Department in the Andamans have been partly due to the sale of the products of the Butchery and the Dairy at less than cost price, particularly in the case of supplies made to the Army. The representative of the Home Department, while admitting that the selling prices were under cost price, suggested that they were still high compared with Indian prices. We think that a comparison of the prices in Andamans with those in India is not relevant to the issue before us, namely, why it should be regarded as justifiable to sell the products of the Butchery and the Dairy at less than cost price. The departmental representative undertook to place the suggestion before the Chief Commissioner, Andamans. We trust that it will be possible for the latter to accept our suggestion and to place the transactions of the Commissariat on a proper footing.

26. *Financial position of the Indian Posts and Telegraphs Department*.—The Public Accounts Committee of last year, after examining the effects of the retrenchment proposals and the measures for increasing revenue, ultimately endorsed the view that, as a matter of principle, the Department should be self-

supporting and that whatever steps were necessary to bring this about should be taken. The accounts of 1930-31 could not be expected to show any improvement as a result of these measures. But we obtained from the Director-General, Posts and Telegraphs, a memorandum giving an up-to-date survey of the general position and prospects of the Department. The commercial loss which amounted to Rs. 91 lakhs in 1930-31 is expected to come down to about Rs. 52 lakhs in the current year and the Director-General is convinced that with the return to reasonably normal conditions the Department would very soon be working again at a profit. The latest information now available is, as observed by the Auditor General, not such as to justify optimism or to warrant relaxation of effort on the part of Government. We do not agree with the Accountant General that the year 1930-31 might be taken as closing an important chapter in the history of the Department and we cannot agree to be satisfied except by the test of actual results

27. *Budgeting and control of works expenditure.*—We devoted considerable time and attention to the examination of the system of budgeting and control of works expenditure, both in the Public Works Department and the Posts and Telegraphs Department. We found a number of cases where there were large variations between the estimates and the actual expenditure. It was explained by the Chief Engineer that such cases related to works under the administrative control of the Foreign and Political Department and that the Department of Industries and Labour merely act in this matter as a compiling agency for the former Department for the purpose of making the necessary provision in the budget. It seems to us that some improvement in the existing system of budgetary control is necessary in order to ensure that no provision is included in the budget for any work in regard to which the preliminary arrangements are not so far advanced as to afford a reasonable prospect of the provision being fully utilized. One result of neglecting this essential condition is to place funds at the disposal of spending authorities which may be diverted to works outside the scope of the original demand, and increase the commitments of the following years. ✓

28. We also discussed in this connection the question of the purposes to which the Reserve provision in the Civil Works budget should be confined. This provision was actually used in the year 1930-31 for a number of works, some of which might have been foreseen and provided for in the estimates presented to the legislature and some of which did not seem to be of such particular urgency as to justify their being financed from the Reserve. We agree with the Auditor General that it should be a recognized principle that, so far as possible, allotments for original works should be made in the estimates presented to the legislature and consider that the Reserve should be confined to two purposes: to meet throw-forwards from the previous year and to meet really unforeseen and emergent demands. We should like to add that in estimating the provision required for the first of the two purposes mentioned, namely, to meet throw-forwards from the previous year, due regard should be paid to the fact that at the present time when works expenditure is being drastically curtailed, the provision for throw-forwards need not be as large as usual.

29. *Utilization of unanticipated credits to cover excess expenditure.*—In his notes under Grant No. 69—Indian Stores Department, the Accountant General,

Central Revenues, has brought to notice the fact that, while the estimates of that Department were framed on the assumption that recoveries from Company-managed State Railways would be treated as receipts and not as deductions from expenditure, the recoveries were actually accounted for, in accordance with the rules on the subject, as *minus* expenditure like recoveries from other departments. As it is possible that, but for this change in classification there would have been an excess over the grant, the Auditor General has raised the general question whether it is permissible for unanticipated credits of this kind to be utilized for the purpose of covering expenditure in excess of the grant. We have no hesitation in answering the question in the negative, and recommend that such credits should be treated in the accounts as receipts and not as deductions from expenditure.

30. *New Services*.—The Auditor General has, as usual, prepared a memorandum of cases of 'New Service' in connection with the accounts of 1930-31 (Appendix VII).

31. *Charges for locust control operations*.—An expenditure of Rs 25,388 was incurred during the year, representing the share of the Government of India on behalf of the Centrally Administered Areas of the cost of the materials purchased for locust control operations in 1930-31. The charge has been classified by the Government of India as in respect of a 'new service' on the ground that it was incurred in connection with a new activity which had not previously been undertaken by the Central Government. We accept this classification.

32. No steps were, however, taken by the Government of India to obtain a supplementary grant from the Legislature for expenditure on this new service, because it was hoped that it would be possible to meet the expenditure from savings under other heads of the Grant. Although the expectation has been realised, there being an actual net saving in the Grant as a whole after meeting the expenditure on this new service, we consider that in accordance with correct parliamentary practice the approval of the Assembly should have been obtained for the expenditure by means of a token vote before the close of the year.

33. *Regularization of old cases of new service*.—The Auditor General has suggested that we should consider in this connection whether excess votes should now be obtained for other cases of this kind which have occurred in previous years. As pointed out by him, our predecessors have not suggested in any such case that the expenditure as incurred was not in the public interest. We therefore recommend in order to avoid barren formalities that such cases should be tacitly condoned.

34. As in previous years we append to our Report minutes of our Proceedings which we consider should be considered as part of the Report. We assume that in accordance with established practice action will be taken by Departments as necessary on the observations and recommendations contained in these Proceedings.

35. *Report of the Military Accounts Committee.*—We append the Report submitted by the Military Accounts Committee (Annexure B) constituted in pursuance of the recommendation in paragraph 31 of the Report of the Public Accounts Committee of last year to make a preliminary examination of the Military Appropriation Accounts and connected documents. We endorse the recommendations and observations of the Committee both in its Report and in the accompanying proceedings of its meetings.

36. *The Auditor General's general comments on the Appropriation Accounts communicated to the Secretary of State.*—We were, as usual, supplied with a copy of the letter from the Auditor General transmitting to the Secretary of State the Appropriation Accounts for the year, and briefly commenting on the salient features in these Accounts. In these comments the Auditor General expresses his opinion as to the degree of efficiency attained in the preparation and presentation of the several Appropriation Accounts and Reports, and as to the standard of financial administration and control, and discusses changes which have taken place in the system and machinery of the Audit Department. We have dealt with the first two points in paragraphs 17 and 18 of our Report. Subject to the reservations indicated by the Auditor General himself and to those which flow from our own remarks and recommendations, our examination of the Accounts and Reports of the Central Government leads us to the same conclusion as that of the Auditor General, namely, that the standard of financial administration and control aimed at and attained is over the greater part of the field generally adequate. As regards the changes in the system and organisation of accounts and audit, we are obliged to the Auditor General for an interesting statement of important economies and reforms which have recently been carried out in connection with the general retrenchment of public expenditure. It is claimed that the decentralisation of Commercial Audit has made it possible to avoid some duplication and unessential specialisation and that the new system is an improvement on the old. We are prepared to accept the change on the condition which has been assured, namely, that the Public Accounts Committee will continue to receive under the new system, in the same form as before, the valuable information regarding the financial results of Government Commercial Concerns, the preparation and presentation of which were systematised by the late Director of Commercial Audit. As regards the somewhat similar decentralisation of the audit of Customs Revenue, it seems clear to us that the change must be correct in principle inasmuch as the new system follows the regular plan of organisation, saves the money and time spent on extensive travelling under the old system, and secures a greater volume of audit at less expense. It also seems to us to be correct in principle and feasible in practice to require Accountants General to qualify themselves to supervise the audit of Customs Revenue or indeed any other public audit within their sphere of authority. We await with interest the result of the experiment and look forward in particular to the first consolidated report on the results of the audit which is to be presented in his Appropriation Report by the Accountant General, Central Revenues. The other economies which have been carried out are also important if not as novel. We are glad to note that in the majority of cases the measures follow the Auditor General's own recommendation and we welcome the assurance that

in his opinion they are not likely to impair seriously the usefulness of the Audit Department.

A. A. L. PARSONS.

SANT SINGH.

B. DAS.

ABDUL MATIN CHAUDHURY.

M. A. AZIM.

M. C. RAJAH.

T. N. RAMAKRISHNA REDDI.

ISMAIEL ALIKHAN.

S. C. MITRA.

MOHAMMAD YAKUB.

J. RAMSAY SCOTT.

R. D. DALAL.

V. K. ARAVAMUDHA AYANGAR,

Secretary,

The 7th September, 1932.

ANNEXURE A.

(Referred to in Paragraph 16 of the Report.)

Statement showing recommendations, etc., made by the Public Accounts Committee, whose final disposal has to be watched through the Quarterly Statement prepared by the Finance Department.

(A) RECOMMENDATIONS OUTSTANDING FROM PREVIOUS YEARS.

(1) Disposal of the surplus of stock of quinine held by the Government of India (Item 16 of Appendix I).

(2) Debiting the Commercial accounts with royalty on timber extracted (Andamans) at a fair standard rate (Item 24 *ibid*).

(3) Amendment of the leave rules (Item 25 *ibid*).

(4) Consideration of the question of recovery of public claims, etc., from the pay and pension of civil officers in connection with the terms of service of future entrants (Item 27 *ibid*).

(5) Disposal of items included in Special Appendix for consideration in connection with the impending constitutional changes (Item 33 *ibid*).

(6) Steps necessary to ensure the proper discharge by the Finance Department of the Government of India of its ultimate responsibility in regard to the examination of the financial prospects of capital projects met from loans by the Government of India (Item 37 *ibid*).

(7) Examination of the accuracy of past estimates of the number fixed for the printing of publications and action taken in regard to big surpluses (Item 57 *ibid*).

(B) OUR RECOMMENDATIONS IN THE CURRENT REPORT.

Finance Department.

(1) Introduction of certain measures proposed for the proper budgetting and financial control of Police Clothing and Equipment Funds including audit of the cash and stock transactions (Paragraph 14 of the Report).

(2) Issue of instructions to the departments not to incur any expenditure without appropriation except when absolutely necessary and urgent and avoidance of unnecessary supplementary grants (Paragraph 19 *ibid*).

(3) Obtaining earlier intimation from Provincial Governments of their loan requirements and avoiding excess over the grants under the head "Loans and Advances from the Provincial Loans Fund" (Paragraph 20 *ibid*).

(4) Reduction of stocks of stores held by departments by revision of the basis of calculation of working balances (Paragraph 22 *ibid*).

(5) Prohibition against utilization of unanticipated credits to cover expenditure in excess of the grant (Paragraph 29 *ibid*).

(6) Improving the present method of estimating under Grant No. 97—Interest Free Advances (Paragraph 2, Proceedings).

Department of Education, Health and Lands.

(7) Sale of the entire surplus stock of quinine independently of local Governments and examination of the possibility of curtailing annual production and manufacture (Paragraph 15 of the Report).

(8) Revision of the rates charged to the Army for the products of the Wellington Institute (Paragraph 24 *ibid*).

(9) Examination of the question of charging proper commercial rates to the Forest Department (Andamans) for carriage of timber (Paragraph 37, Proceedings).

Home Department.

(10) Revision of the selling prices of the products of the Butchery and the Dairy in the Andamans (Paragraph 25 of the Report).

Department of Industries and Labour.

(11) Overhauling the system of budgetting and control of Works expenditure and proper utilisation of the Reserve provision (Paragraphs 27 and 28 of the Report).

(12) Investigation to a limited extent into the adequacy of the existing allotments for stationery (Paragraph 31, Proceedings).

(13) Examination of the question whether the refund to the Foreign Office of the advance made by them towards the cost of construction of certain telegraph lines in Persia was in order (Paragraph 62, Proceedings).

Army Department.

(14) Report on the progress made to simplify and amend the existing Regulations in the Army (Paragraph 1 of the Report of the Military Accounts Committee).

ANNEXURE B.

Report of the Military Accounts Committee.

We were constituted in pursuance of the recommendation of the last Public Accounts Committee in paragraph 31 of their Report to make a preliminary examination of the Military Appropriation Accounts and connected documents. In our task we received great assistance not only from the Auditor General and the Financial Adviser, Military Finance, and his staff, but also from the Army Secretary and the Principal Staff Officers who appeared before us. We were much impressed by the obvious desire of the Army authorities to secure every possible economy and stricter financial control, by the clear evidence of the efficacy of the action which they have taken to this end, and by their readiness to accept any proposals in this respect which we found ourselves able to suggest to them. As the minutes of our proceedings (Annexure I) show, the result is that all our recommendations have already been accepted, and there is only one outstanding matter to come before the Committee in a special form next year. This relates to the steps which are being taken to simplify and amend the existing Regulations—a matter which is, in our opinion, of very considerable importance. We found, in our study of the Appropriation Accounts and the report of the Director of Army Audit, numerous instances of wrong payments due to the obscurity of many of the existing rules. We have asked for a further report on the progress made to simplify the rules next year.

2. We are glad to note that the contentious question of capitation charges has been referred to a tribunal and we shall be glad to be informed in due course of the result.

3. The results of our examination of the Appropriation Accounts and connected documents are, as usual, embodied in the proceedings of our meetings (Annexure I), and it is unnecessary for us here to do more than refer to the more important points in the Accounts. As recommended in paragraph 24 of the Report of the last Public Accounts Committee, the Accounts have again been prepared in a lucid and informative manner; we found the general survey and analysis made by the Financial Adviser, Military Finance, particularly valuable.

4. In 1928-29 the question was raised before the Military Accounts Committee whether the English system of securing a certificate in the Appropriation Accounts in regard to the existence in stock of all the authorised War Reserves of stores should not be followed in India. The object of such a certificate is to impose and keep alive a sense of responsibility on the part of the Principal Staff Officers concerned for keeping and maintaining the authorised War Reserves of stores: in addition, such a certificate should ensure that money allotted for War Reserves is applied for the purpose for which it is intended, and should prevent a sudden demand for reserves on the occurrence of any emergency. The Quartermaster-General and the Acting Deputy Master-General of Ordnance (representing the Master-General of Ordnance), with whom we discussed this question, agreed that such certificate was desirable and undertook to give in future a certificate in the following form:

“ We certify that, on 31st March , the War Reserves of stores authorised by the Government of India to be held at that date for the mobilisation of the Army in India and detailed in the published War Equipment Tables or provided for under specific sanctions, for the provision and maintenance of which we are respectively responsible, were complete to the extent to which the quantities required have been calculated, with the exception of fluctuations normal to the maintenance of such reserves, or to shortages and deficiencies due to sanctioned alterations in such reserves, the adjustment of which is in hand.”

The Quartermaster General explained, however, that some further investigation into the actual War Reserve stocks would be necessary before he could sign the certificate. This investigation was now proceeding and would be completed as rapidly as possible.

5. *Military Engineer Services.*—In the case of the Military Engineer Services expenditure, our attention was drawn to the numerous and large variations from the original programme of works. We agree with the Auditor General that “ under a normal system of

control of public expenditure, it would be necessary for the Military authorities to define more exactly the scope of the original demand than they do at present, and in their expenditure to conform more closely to the scope of the demand as so defined". We are glad to find that the Military authorities are prepared to accept the principle laid down by the Auditor General and have already taken steps to improve the budgetting and control in regard to military works expenditure. The nature and details of these measures are explained in our proceedings (Annexure I) and we look forward to the establishment shortly of a more stable and settled policy in this matter.

6. *Expenditure on programme measures.*—We were furnished by the Army Secretary with a certificate from the Chief of the General Staff regarding the sufficiency of the resources available for the completion of these measures, which we append to this Report (Annexure II). We are satisfied with the action taken and continuing to be taken in response to the suggestions made by the Auditor General both in regard to the audit of the programme expenditure and the annual certificate from the Chief of the General Staff.

7. *Cases of financial irregularity.*—We have gone carefully into the cases of financial irregularity included in the Report of the Director of Army Audit. Our task was considerably lightened by the preliminary examination and classification made by the Auditor General. One unsatisfactory type of irregularity related to errors and omissions in issuing pay, allowances and pensions. The Army Secretary admitted that in many cases the errors were due to the complexity of the rules and to the issue of defective orders by Government in recent years. We are satisfied that steps are being taken to improve this, but (*vide* paragraph 1 above) have asked for a report on the matter next year.

8. The Financial Adviser, Military Finance, brought to our notice certain extenuating circumstances in regard to irregularities in the payment of pensions. The work of issuing pension payment orders during the years 1918 to 1923 had to be done under extraordinarily difficult conditions and the revision of the original grants, we were told, would take three years to complete and cost about Rs. 6 lakhs. In these circumstances, we agree with the suggestion made by the Financial Adviser, and accepted by the Auditor General, that it will be sufficient if steps are taken to rectify only those grants which in the course of current check and audit are found to be wrong.

9. Another type or irregularity related to errors and omissions in the calculation of charges recoverable from other departments and Governments, and cases were brought to our notice where in working out the capitation rates at which recoveries were to be made from the Colonial and War Offices certain elements had, through oversight, not been included in the calculation. We were informed that the preparation of claims in such cases had now been centralised in one office and we were assured that necessary action has been taken for the proper allocation of these charges in future.

10. *Store Accounts.*—We devoted considerable attention to the loss involved by large sums being locked up in stocks of stores and to the desirability of reducing the value of stocks held as far as possible. The matter had also received careful examination at the hands of the Army Sub-Committee of the Central Retrenchment Advisory Committee, which had made certain valuable recommendations on the subject. We were informed by the Army Secretary and the departmental witnesses that the whole position had been carefully analysed by the Army authorities and that proposals are now under consideration to reduce stocks as far as possible. We are glad to note that the department is fully alive to the importance of the question and hope that the report of the Director of Army Audit next year will disclose a more satisfactory state of affairs.

11. *Losses in stores.*—We find that according to the figures given in Appendix E to the Appropriation Accounts the losses in stores were much higher in 1930-31 than in the previous year. It was explained by the Military Accountant General that a substantial proportion of the losses shown in the Appendix did not represent real losses but represented only adjustments in stock price account. We discussed the form of the appendix with the Financial Adviser and the Auditor General and examined in this connection a form suggested by the Financial Adviser. We recommend that the latter form be adopted with such modifications as may be considered necessary by the Director of Army Audit as a result of his examination in the light, among other things, of the general rules on the subject, that are now under issue by the Government of India.

12. *Trading Accounts*.—We have been informed by the Auditor General that the enquiry into trading accounts that was instituted at his suggestion has not yet been finally completed but that it should not be very long before the whole system was placed on a proper basis. We desire to reiterate in this connection the observations made by the official Committee, which examined the Military Appropriation Accounts last year, namely, that, from the point of view of the Government and the tax-payer, it is vital to exhibit, as nearly as possible, in the trading accounts the actual cost of production of the output of Army Manufacturing establishments and to ensure that that cost is reasonable. We are glad to note that efforts to secure uniformity in the form of the accounts and to make these accounts absolutely reliable will be continued and feel sure that the Army authorities will also appreciate the valuable purpose which the accounts are intended to fulfil.

A. A. L. PARSONS.

J. B. TAYLOR.

B. DAS.

ABDUL MATIN CHAUDHURY.

S. C. MITRA.

ANNEXURE I.

Proceedings of the First meeting of the Military Accounts Committee held on
Monday, the 8th August 1932, at 2-30 P.M.

PRESENT :

The Hon'ble Sir ALAN PARSONS, *Chairman*.

The Hon'ble Mr. J. B. TAYLOR, Financial Secretary,

Mr. B. DAS,

Mr. ABDUL LATIF CHAUDHURY,

Mr. S. C. MITRA,

Sir ERNEST BURDON, Auditor General,

Mr. G. R. F. TOTTENHAM, Army Secretary,

Lt. Colonel R. PRINCE, Financial Adviser, Military Finance,

Mr. W. G. LEYS, Deputy Financial Adviser, Military Finance,

Lt.-Col. A. G. MURRAY, Military Accountant General,

Mr. A. J. CURRIE, Director of Army Audit,

} *Members.*

} *were also present.*

1. The Committee took up the examination of Appendix A to the Appropriation Accounts prepared by the Financial Adviser, Military Finance. The Committee accepted the explanation given or the action taken in regard to the cases mentioned in the Appendix subject to the following remarks.

2. *General*.—Reference was made in some cases to savings in expenditure resulting from certain measures but no figure of the amount of saving involved had been given. The Financial Adviser agreed to give this information in future.

3. *Appendix E to the Appropriation Accounts*.—The Committee considered that this Appendix should confine itself to real and definite losses and that details of each individual item of loss were unnecessary. The Financial Adviser suggested a new form for adoption in future and the Committee, after discussion with the Auditor General, agreed to accept instead of the present statement and detail of losses the proposed new form subject to its examination by the Director of Army Audit. The Committee also agreed with the Auditor General that the Director of Army Audit should examine the form, among other things, in the light of the general rules that were under issue by the Finance Department regarding the treatment of losses of revenue due to fraud, defalcation, etc., in the Appropriation Accounts and that the Director should, when the new form was adopted, continue to bring any important cases of loss involving fraud or carelessness, etc., to the notice of the Committee in his report.

4. *Item 4.—Statement showing the estimated normal cost per unit appended to the annual budget estimates*.—The Committee recommended that this statement should include in future the normal cost for a heavy medium and light battery and for a squadron of the Air Force. The Army Secretary and Financial Adviser undertook that this should be done.

5. *Item 7.—Long-term contracts*.—The Committee was informed that long-term contracts were entered into only in exceptional cases where there were special reasons for doing so and when it was to the advantage of Government. The Committee decided to examine the Quartermaster General on the question of protecting Government against losses due to falls in prices in such cases but, subject to what he might say, was of the opinion that the Director of Army Audit should scrutinise with special care all long-term contracts cases.

6. *Item 9.—Trading accounts for Army manufacturing establishments*.—The Committee was informed that the whole question had been examined in consultation with the administrative authorities and the Director of Army Audit and that certain conclusions had been arrived at subject to the concurrence of the Auditor General. The Auditor General

stated that the matter was receiving his careful attention and that he would deal with it fully in his comments on the Appropriation Accounts next year.

7. *Item 13.—Procedure for recovery of rents on Government buildings.*—The Financial Adviser informed the Committee that the executive authorities fully accepted their responsibility for recovery of rents. On this understanding the Committee accepted the explanation furnished by the Financial Adviser.

8. *Item 16.—Study of Appropriation Accounts and connected documents with a view to applying the lessons to future administration of public funds.*—The Committee noted with satisfaction the action that had been taken by the Adjutant General in the matter. The Financial Adviser accepted the suggestion of the Auditor General that Command Controllers should take up with the Command staff any comments in the Appropriation Accounts and connected documents that applied to them personally and to their administration.

9. *Item 18.—Certificate in regard to existence in stock of all authorised war reserves of stores.*—The Army Secretary suggested that the Quartermaster General and the Master General of Ordnance might be examined in regard to this matter. He explained that progress was being made in regard to the fixation of the reserves but that it was necessarily slow owing to the large number of items involved. He added that the Quartermaster General and the Master General of Ordnance were prepared to furnish a certificate in general terms in the form in force in England but that they were doubtful as to the possibility or desirability of estimating the deficiencies in terms of money. They were, however, ascertaining the details of the home practice in this respect. The Committee agreed with the Auditor General that the object of securing such a certificate was to impose and keep alive a sense of responsibility on the part of the Principal Staff Officers concerned to keep and maintain the authorised war reserves of stores. It was considered that such a certificate would ensure that money allotted for war reserves was applied for the purposes for which it was intended and would prevent a sudden demand for reserves on the occurrence of any emergency.

10. *Item 1 of items included by the Director of Army Audit. Expenditure on Programme measures.*—The Committee was furnished with a certificate from the Chief of the General Staff regarding the sufficiency of resources available for the completion of the measures. The Committee considered that the action taken and continuing to be taken in response to the suggestion made by the Auditor General both in regard to the audit of the measures and the annual certificate from the Chief of the General Staff was very satisfactory.

11. *Item 2 ibid.—Pro forma account of expenditure on Auxiliary and Territorial Forces.*—The Auditor General undertook to circulate before the next meeting a statement of the *pro forma* account in the form finally approved by him showing the expenditure on these forces separately in regard to ordinary and special measures.

12. *Item 5 ibid.—Revised procedure for ascertaining the actual cost of drugs manufactured in the Workshops of the Medical Store Depots.*—The Committee was informed that the question of improving the present procedure for ascertaining the cost of drugs was being thoroughly examined and that the matter would be brought to the notice of the Committee by the Auditor General next year if he thought it necessary to do so.

13. The Committee adjourned till 10-30 A.M. on Tuesday, the 9th August 1932.

Proceedings of the Second meeting of the Military Accounts Committee held on
Tuesday, the 9th August 1932, at 10-30 A.M.

PRESENT :

The Hon'ble Sir ALAN PARSONS, *Chairman*.

The Hon'ble Mr. J. B. TAYLOR, Financial Secretary,

Mr. B. DAS,

Mr. ABDUL MATIN CHAUDHURY,

Mr. S. C. MITRA,

Sir ERNEST BURDON, Auditor General,

Mr. G. R. F. TOTTENHAM, Army Secretary,

Lt.-Colonel R. PRINCE, Financial Adviser, Military Finance,

Mr. W. G. LEYS, Deputy Financial Adviser, Military Finance,

Lt.-Col. A. G. MURRAY, Military Accountant General,

Mr. A. J. CURRIE, Director of Army Audit,

} *Members.*

} were also present.

14. The Committee considered a memorandum by the Director of Army Audit explaining the difference in the comparative cost of production of bread in India and in England and came to the conclusion that the only action to be taken was to request the Auditor General to examine in connection with his general investigation into trading accounts whether the cost of supervising staff was no more than could be justified.

15. The Committee considered the form of the *pro forma* account circulated by the Auditor General showing both ordinary and special expenditure on the Auxiliary and Territorial Forces. The Director of Army Audit was satisfied that the statement gave a correct representation of the expenditure on both accounts. The Committee accepted the suggestion of the Auditor General that the Financial Adviser should give similar information in his Appropriation Accounts in future, and the Financial Adviser agreed to do so.

The non-official members of the Committee drew attention to the strong suspicion in the minds of the public that Government were not really earnest in their intention to develop the Territorial Force as was evidenced by the savings in the civil grant for the expansion of this force. It was explained by the Army Secretary that the Army were prepared to spend the money, but that their inability to do so was largely due to the fact that the units—especially the urban units—could not be recruited up to full strength. He suggested that the Adjutant General might be examined by the Committee in regard to this matter.

16. The Committee proceeded to consider the comments in the Auditor General's letter.

17. *General*.—The Committee commented favourably on the Financial Adviser's review which as on the last occasion was particularly interesting and useful.

18. The question was raised whether the saving of about 80 lakhs on account of reduction of pay of British other ranks in 1930-31 should not have been surrendered to general revenues. It was explained by the Army Secretary that these savings were definitely taken into account when the contract grant was fixed and, indeed, formed one of the main features on which the contract was based, the reduction in pay having begun as far back as 1925.

19. *Paragraph 5 of the Auditor General's letter*.—The excess of 3.63 lakhs under pay and allowances of reservists was explained to be due to the large number of reservists coming up for training owing to bad trade and economic conditions. The Committee desired to enquire from the Adjutant General whether there was any rule regarding compulsory or optional attendance of a reservist and what happened if a reservist did not come for any particular period.

20. The Committee was furnished with the following figures of expenditure on stationery and printing during the last four years :—

(Rupees lakhs.)			
1928-29.	1929-30.	1930-31.	1931-32.
13-29	14-66	18-90	14-38

Mr. Macdonald, who had made a special investigation into the question of controlling expenditure under these heads in the Army, was also present by invitation. He pointed out that previously the Controller of Printing and Stationery was not in a position to give any information regarding the progress of expenditure in the department and that it was only since last year that arrangements had been made for obtaining this information monthly. He also informed the Committee of various economies that had been introduced, e.g., cutting out or reducing the number of army forms, making allotments to branches for cost of printing books and fixing allotments for stationery on the basis of the previous year's actuals less ten per cent. Under the system in force prior to 1931-32, stationery allotments were fixed by the Deputy Controller of Stationery and the Army Department had no control over expenditure. If Branches of the Army found that their allotments were not sufficient, they obtained increased allotments from the Deputy Controller. If they were more than sufficient, they received nothing in the shape of a refund. The old system, it was stated, really encouraged increase in expenditure. The Committee was informed that this system had now been abolished and that from 1931-32 the allotments have been under the control of the Army Department itself which has laid down definite schedules regarding stationery per unit. As the stricter procedure of definite allotments and watching progress of expenditure had only been introduced since 1931-32, it was expected that the full benefit from this control would only be realised in course of time. The Committee desired that the Financial Adviser should give an analysis of the expenditure on stationery and printing next year in his note under the relevant grant showing what progress had been made in reducing expenditure owing to the change in system that had been introduced by Mr. Macdonald; and the Financial Adviser promised to do so.

In this connection the Committee desired to take up with the Department of Industries and Labour and the Controller of Printing and Stationery the question of the authority now responsible for fixing standards for the supply of stationery to departments.

21. The Committee was informed that the provision of Rs. 2 lakhs reserve with the Military Accountant General was not intended to cover purely discretionary expenditure on new temporary establishment recruited during the year and that it had been discontinued with effect from the current year.

22. *Paragraph 8 of the Auditor General's letter.*—The Committee desired to express its thanks to the Auditor General for the trouble he had taken in examining and classifying the various cases of financial irregularities brought to notice in the report of the Director of Army Audit.

23. *Irregularities relating to the Military Accounts Department.*—The Financial Adviser explained that the various errors and omissions in issuing pay, allowances and pensions were largely due to the complexity of the rules and to the issue of defective orders by Government in recent years. In regard to pensions he referred to the special conditions under which these had to be granted during the years 1918 to 1923 when the Department had an unprecedented number of pensioners and had no machinery to deal with them. There were twenty different sanctioning officers and the work of issuing pension payment orders had to be done very quickly. He pointed out that the revision of the original grants would take three years to complete and would cost about Rs. 6 lakhs. He, therefore, suggested that it was uneconomic delving into past cases and that it was quite sufficient if steps were taken to rectify only those grants which appeared to be obviously wrong. Both the Auditor General and the Director of Army Audit agreed with the suggestion which was accepted by the Committee.

24. As regards the complexity of the rules and the defective nature of some of the recent orders, the Army Secretary ascribed this largely to the fact that they had been drafted by non-experts in the departments and branches concerned and to the issue of amendments to the rules in the form of Army Instructions every week in advance of amendments to the regulations. There had been no proper index to these Instructions and it was

difficult to ensure that the consequential amendments to other rules were always carried out whenever a rule was modified. Two main steps had been taken to improve matters. In the first place, the arrangement of Army Instructions had been greatly improved and their bulk very largely decreased, by insisting that, wherever possible, Regulations should be amended direct. In the second place, a new section had been formed in the Army Department in which the work of amending and revising Regulations was centralized. It was hoped that this section under the control of Mr. Macdonald would in course of time become a body of experts on Regulations and be able to effect a considerable improvement in their form. But the progress must be slow owing to the very large number of Regulations. The Committee desired to be furnished with a report next year of the progress of the work entrusted to Mr. Macdonald.

25. In regard to errors and omissions in the calculation of charges recoverable from other Governments referred to in paragraph 1 (i) (iii) of the report of the Auditor of Indian Home Accounts upon the accounts of the Secretary of State, the Financial Adviser explained that the preparation of claims in such cases had been centralized in one office and that such errors and omissions would be obviated in future.

26. *Paragraph 17 of the Report of Director of Army Audit.*—In regard to the over-payment referred to in this paragraph the Committee observed that these irregular payments had been continued by the Officer Commanding on his own responsibility and noted that the Controller of Military Accounts had been informed by the Military Accountant General that he should not have allowed these irregular payments after they were challenged by him in audit.

27. *Paragraph 20 of the Report of Director of Army Audit.*—In the case mentioned in this paragraph, the Committee thought that, if the irregularity had been found out about six and a half months after the wrong payment, the officer should have been warned about the recovery and that the amount should not have been written off. Before, however, coming to definite conclusions in the matter, they desired to be furnished with a copy of the Army Department's letter to the Secretary of State dealing with this over-payment, or if that letter was not available they asked to be furnished with further information at a later meeting regarding the circumstances in which it was decided to write-off the over-payment.

28. The Committee adjourned till 2-30 P.M.

Proceedings of the Third meeting of the Military Accounts Committee held on
Tuesday, the 9th August 1932, at 2-30 P.M.

PRESENT :

The Hon'ble Sir ALAN PARSONS, *Chairman*,

The Hon'ble Mr. J. B. TAYLOR, Financial Secretary,

Mr. B. DAS,

Mr. ABDUL MATIN CHAUDHURY,

Mr. S. C. MITRA,

Sir ERNEST BURDON, Auditor General,

Mr. G. R. F. TOTTENHAM, Army Secretary,

Lt.-Colonel R. PRINCE, Financial Adviser, Military Finance,

Mr. W. G. LEYS, Deputy Financial Adviser, Military Finance,

Lt.-Col. A. G. MURRAY, Military Accountant General,

Mr. A. J. CURRIE, Director of Army Audit.

} Members.

} were also present.

29. *Financial irregularities in the Adjutant General's Branch.* Paragraph 39 of the *Report of the Director of Army Audit*.—The Committee considered that the case reported in this paragraph was *prima facie* bad and decided to examine the Adjutant General on it.

30. *Paragraph 55 of the Report of the Director of Army Audit*.—The Committee suggested that the amount incurred in excess of the authorised scale of rations by the General Officer Commanding-in-Chief might have been charged to his discretionary grant instead of being written-off by Government.

31. *Paragraph 49 of the Report of Director of Army Audit*.—The Committee thought that as the Army Department was working on the basis of a contract grant, funds ought not to have been drawn in March from the treasury unless they were required for immediate payment.

The Financial Adviser explained that the first certificate recorded on the bill for the payment of the value of the presses was the ordinary certificate printed on the bill and that when the correct facts were brought to notice the authority at once revised the certificate so as to represent correctly the facts of the case.

32. *Paragraph 51 of the Report of Director of Army Audit*.—The Committee was assured that there had been no lack of economy except in regard to one item and that the question of the proper control of stores was engaging the careful attention of the Army authorities.

33. *Paragraph 52 of the Report of Director of Army Audit*.—It was explained that the abandonment of the manufacture of acetone in the first instance was due to the price of acetate being so high as to make the manufacture an uneconomic proposition. It has now been arranged to purchase acetate in India at such a price as will enable acetone to be manufactured at a cost not in excess of that at which it could be purchased from abroad. The Committee noted with satisfaction the success of the department in resuming the manufacture of acetone and utilising the machinery and plant purchased in 1927-28 which had been lying idle.

34. *Paragraph 6 of the Auditor General's letter.—Military Engineer Services*.—The Army Secretary explained the new system that had been introduced for budgetting for military works in future. Command Controllers were now required to send to Army Headquarters in June each year a schedule of demands prepared on the basis of a two-year programme of works. These schedules were consolidated by the Engineer-in-Chief and submitted to His Excellency the Commander-in-Chief who selected a list of works to be executed during the next two years. The Commands were informed in July of the approximate amounts likely to be allotted in the next year for the works.

Certain works were reserved for Army Headquarters to deal with. Commands were required to submit their draft budgets by the end of November giving the schedule of works selected from the approved list up to the limits of the funds stated to be available. The final allotment was decided by the Army Department after a review of the budgetary position as a whole. The Commands were at liberty to select works for execution from the approved list within the funds finally allotted and to re-appropriate from one approved work to another. No amounts could be spent on works not included in the schedule. The Committee, however, suggested that the system did not provide for sufficient control over the distribution of the allotment among approved works with the result that Government might be committed in the year following to a large amount in respect of works in progress if the funds allotted were distributed over a large number of approved works. The Committee desired to examine the Quartermaster General and the Engineer-in-Chief in regard to this matter and also on the question whether any steps had been taken to ensure that subordinate authorities kept closely to the original estimates. The Committee noted in this connection that the Financial Adviser had agreed to include in his Appropriation Accounts in future a critical review indicating any tendencies which an examination of the reports of Controllers on works expenditure might bring to light and showing how closely actual expenditure conformed to the scope of the original demand.

35. *Paragraph 9 of the Auditor General's letter.—Stock balances.—Army manufacturing concerns.*—The Army Secretary explained that the whole position had been very carefully analysed by the Army authorities and that proposals were now under consideration to reduce stocks held by Ordnance and Clothing Factories. In particular it might be possible to abolish the Central Components Store, which now accounted for nearly Rs. 60 lakhs, and also the working balances maintained in addition to the working stock, which accounted for another Rs. 60 lakhs and which were now held to tide over delays in production. These processes would, however, be gradual and possibly a certain amount of the stores in question could usefully be transferred to the war Reserves. The Committee desired to examine Brigadier Hare of the Directorate of Ordnance Factories and Manufacture on this subject.

36. In regard to the Royal Indian Marine, the Financial Adviser gave certain revised figures which showed the balance on 31st March 1931 at about 25 lakhs (excluding emergency reserve of 6½ lakhs and certain guns and ammunition taken over from ships about 2 1/3 lakhs), which represented only a year's consumption. He added that the recommendations of the Retrenchment Committee in regard to reduction of indents and stocks had been accepted in principle and were being gone into by the Flag Officer Commanding.

37. As regards losses on stores referred to in clause (e) of paragraph 9 of the Auditor General's letter, the Military Accountant General explained that these were not real losses and that a great proportion of the amount represented adjustments in stock price account.

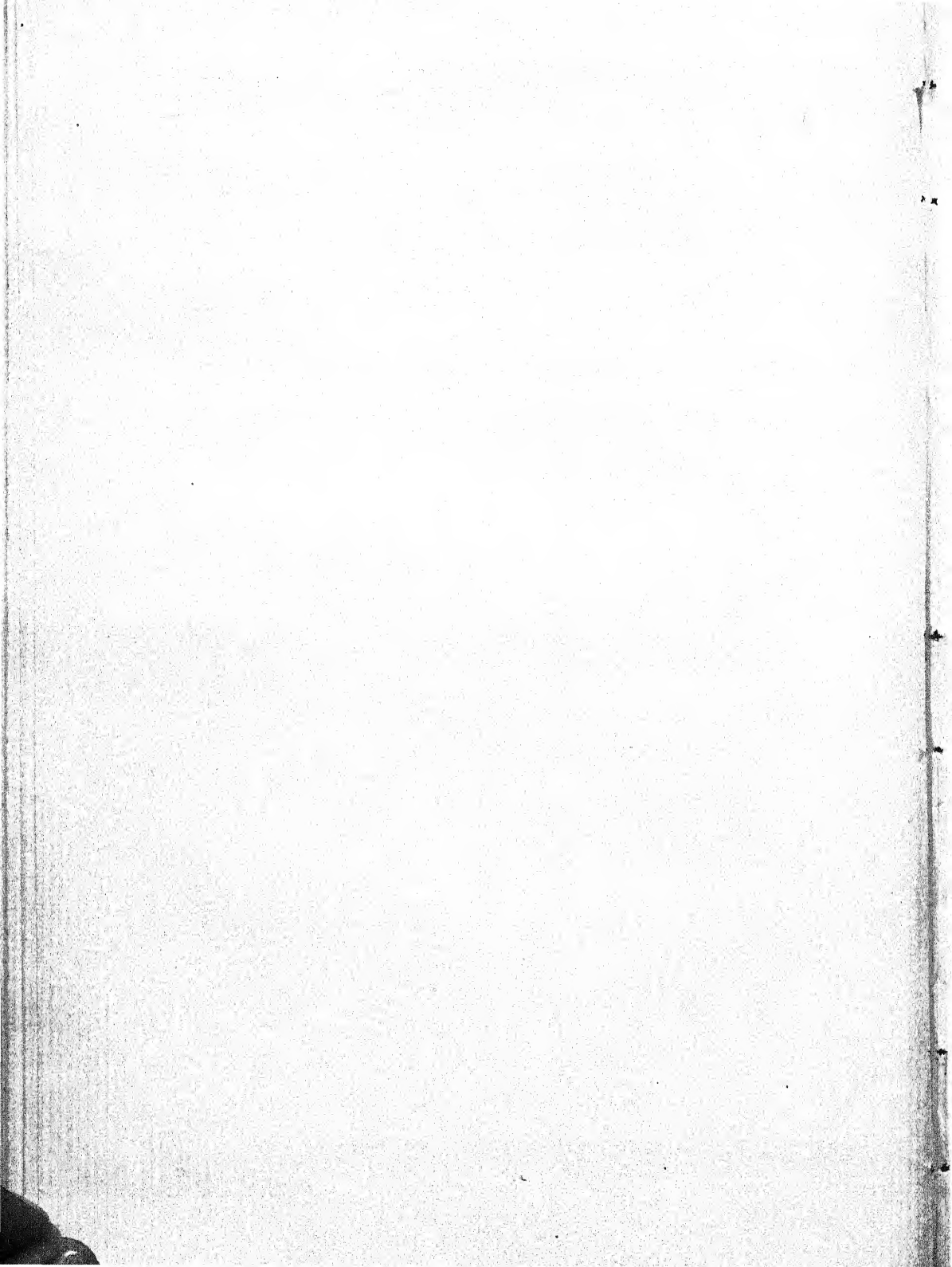
38. *Paragraph 10 of the Auditor General's letter.*—The Auditor General informed the Committee that the enquiry into trading accounts had been instituted at his suggestion, that the matter was being faithfully pursued and that he was reporting every year through his comments on the Appropriation Accounts the progress that was being made in the matter. He hoped that it would not be very long before the whole system was placed on a proper basis and promised to furnish the Committee next year with a final report on completion of the enquiry.

39. As regards Medical Stores Depots, the Financial Adviser explained that the object of the administrative authorities was to sell these medical stores at true cost price so as not to involve any loss to Government, that the prices charged by the Depots were still much below the market prices and that the quality of stores supplied from the Depots was superior to those obtainable in the open market. The Auditor General pointed out that it had been brought to his notice that there was a danger of Provincial Governments and other bodies resorting to open market purchases if the Medical Stores Depots fixed their prices unduly high and that in the interests of the public health the administrative authorities were inclined to think it desirable not to give *prima facie* cause for increasing the prices by including over-head charges in the accounts. He emphasised that it was not correct to exclude the over-head charges, that it was necessary to maintain the accounts in such a form as to give the true cost of production and that, if Government

decided as a matter of policy to bear any loss, it was desirable to show it definitely as a loss. He agreed that in that case the loss would not be a correct debit to the Army. A question was raised whether a portion of the pay of the Director-General, Indian Medical Service, should not also be charged in the trading accounts of the Depots and the Committee was informed that the matter was under consideration.

40. The Committee then considered the reports of the Auditor of Indian Home Accounts. A question was raised whether the decision of the Secretary of State in Council in regard to reduction of ration allowance in the case of Warrant Officers and men on leave from India was not an unnecessary interference with Indian affairs. It was pointed out that the question was raised by the Auditor not as an audit point but as a financial point and that Warrant Officers and men on leave from India were under the control of the Secretary of State in Council and not of the Government of India.

41. The Committee then adjourned.



Proceedings of the Fourth meeting of the Military Accounts Committee held on
Friday, the 12th August 1932, at 12-30 P.M.

PRESENT :

The Hon'ble Sir ALAN PARSONS, *Chairman*.

The Hon'ble Mr. J. B. TAYLOR, Financial Secretary.

Mr. B. DAS.

Mr. ABDUL MATIN CHAUDHURY.

Mr. S. C. MITRA.

} *Members.*

Sir ERNEST BURDON, Auditor General,

Mr. G. R. F. TOTTENHAM, Army Secretary,

Lt.-Col. R. PRINCE, Financial Adviser, Military Finance,

Mr. W. G. LEYS, Deputy Financial Adviser, Military Finance,

Lt.-Col. A. G. MURRAY, Military Accountant General,

Mr. A. J. CURRIE, Director of Army Audit,

} *were also present.*

42. The Committee examined the cases of financial irregularity shown against Military Engineer Services in paragraph 8 of the Auditor General's letter.

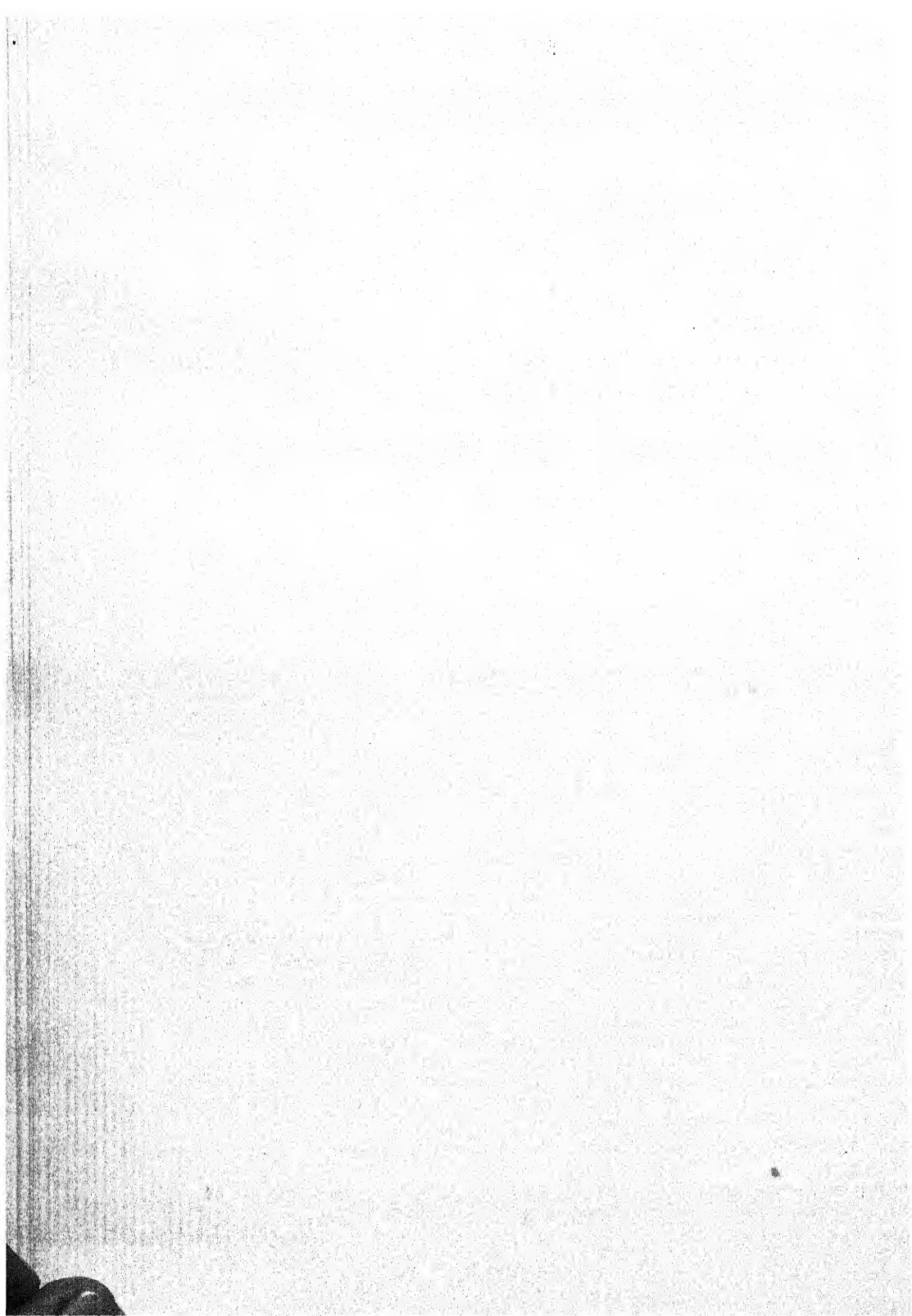
43. *Paragraphs 70 and 71 of the Report of Director of Army Audit.*—The Committee hoped that greater attention would be paid to recoveries of rents and that the report next year would show considerable improvement in this matter.

44. *Paragraph 76, ibid.*—It was explained by the Army Secretary that in certain cases Government accommodation was not available and that officers had to make their own private arrangements, and that it was not fair to the officers to insist on their taking Government accommodation which subsequently became available. He said that instructions had been issued to the authorities concerned to arrange as far as possible that such contingencies did not arise. The Director of Army Audit was requested to bring to the notice of the Committee next year, if necessary, any cases of failure on the part of Military officers to give due consideration to the financial interests of Government and he undertook to do so.

45. *Paragraph 91, ibid.*—It was pointed out that the amendment of the rules was issued by a correction slip, dated August 1928, and that it did not appear *prima facie* justifiable that the lodging allowance overdrawn by a Lieutenant mentioned in item 6 of clause (iii) of this paragraph during a period subsequent to the date of the issue of the correction slip, *viz.*, 4th April 1929 to 12th March 1930, should have been written off. The Army Secretary undertook to examine the details of the case and give a further explanation at the next meeting on Monday, the 15th August.

46. The Army Secretary had promised to give further explanation in regard to the case mentioned in paragraph 20 of the Report of the Director of Army Audit regarding overdrawal of leave pay by a Regimental Officer. He said that the papers were not immediately available in the Army Department but that he would make a further report to the Committee at the next meeting on Monday, the 15th August. It was suggested that probably the matter had been dealt with by the Controller of Meerut in direct correspondence with the India Office.

47. The Committee adjourned till 11 A.M., on Monday, the 15th August 1932.



Proceedings of the Fifth meeting of the Military Accounts Committee held on
Monday, the 15th August 1932, at 11 A.M.

PRESENT :

The Hon'ble Sir ALAN PARSONS, *Chairman*.

The Hon'ble Mr. J. B. TAYLOR, Financial Secretary.

Mr. B. DAS.

Mr. ABDUL MATIN CHAUDHURY.

Mr. S. C. MITRA.

} *Members.*

Sir ERNEST BURDON, Auditor General,

Mr. G. R. F. TOTTENHAM, Army Secretary,

Lieutenant-Colonel R. PRINCE, Financial Adviser, Military Finance,

Mr. W. G. LEYS, Deputy Financial Adviser, Military Finance,

Lieutenant-Colonel A. G. MURRAY, Military Accountant General,

Mr. A. J. CURRIE, Director of Army Audit,

} were also
present.

Lieutenant-General Sir WALTER LESLIE, Adjutant General.

Lieutenant-General Sir ALEXANDER WARDROP, Quartermaster
General.

Major-General G. H. ADDISON, Engineer-in-Chief.

Brigadier G. A. HARE, Acting Deputy Master General of Ordnance.

} *Witnesses.*

48. The Quartermaster General and the Engineer-in-Chief were first examined in regard to the question of control over the distribution of allotment for works and the steps necessary to ensure that subordinate authorities kept closely to the original estimates. The Quartermaster General accepted the principle enunciated by the Auditor General in paragraph 5 of his letter, dated the 4th June 1931, communicating his comments on the Appropriation Accounts of the Army, Marine and Military Engineer Services for 1929-30, and reiterated by him in his letter of the 7th June 1932 on the accounts of 1930-31. He informed the Committee that strict instructions had been issued in the beginning of the current year to Commands to conform more closely to the scope of the demand and he hoped that great improvement would result from these instructions.

49. As regards the distribution of allotments for works he explained that works could under the existing orders, be selected for execution only if they could be completed within the next two years and within the funds likely to be allotted in each of those two years. In cases where these conditions were not fulfilled, a report had to be made to headquarters which specially dealt with them. This in his opinion ensured a proper watch over future commitments.

50. Dealing with the question of variations from original estimates, he said that under the procedure, which had been recently introduced, no item would be put in the budget unless its preliminary examination was well advanced. Any alterations necessary on account of changes in policy at headquarters would be taken into account before provision in the budget was made. In addition, all Commands had been told in May last that they were fully responsible for watching all engineering works under their control as in the case of other items of expenditure. If in spite of this there were any variations between original estimates and actual expenditure they would be such as occurred even in civil departments and they would be dealt with under the existing rules. The reasons for variations were always carefully examined and if there was any defect to be remedied, the matter was taken in hand. The Committee was assured that there was no danger of deliberate delay in the execution of works with a view to diversion of savings to other new works during the year.

51. The Committee then discussed with the Quartermaster General the question of the possibility of making a provision in the long term contracts entered into by the Departments, which would protect Government against losses due to fall in prices. The Quartermaster

General referred to a clause which had been included in old contracts, but had since been discontinued, which provided that the rates in the contract should be subject to revision every year by a Committee appointed by both parties. He considered such a provision valuable and he informed the Committee that the possibility of making provision for variation in prices in the exceptional cases in which long term contracts were entered into by the Army Department would be examined.

52. The Committee was informed that there would be no difficulty in introducing the English system of certificate in respect of authorised war reserves of stores, but the Quartermaster General asked for a little time to examine the position in regard to one or two matters before the system was actually introduced.

53. The Committee discussed with Brigadier Hare the question of the magnitude of the stocks held by Ordnance and Clothing Factories and the high proportion of indirect charges. The Committee was informed that a few minor defects in the existing procedure, which resulted in raising the amount of stocks held, had been removed, *e.g.*, till recently there had been a good deal of delay in communicating the date of delivery to manufacturers. This has since been rectified. Further, direct relations with the Indian Stores Department had been introduced to obviate the delays involved in communication through the Director of Army Contracts. An appreciable reduction in what are called working balances was also expected from certain measures that had been taken, for instance, such balances were no longer to be held in the case of all items but only in respect of items where such balances were administratively approved after full justification, and in regard to the latter it was being proposed that the amount held should be reduced to the amount required for two months consumption in the case of stores supplied locally and three months in the case of stores ordered from abroad.

54. The Committee then considered the remarks of the Director of Army Audit in paragraph 140 of his report relating to the large stocks in hand in the factories. It was explained that the increase in the value of stores and stock on the 31st March 1931, as compared with the corresponding date in the preceding year, was due to various causes, including adjustment of prices and departmental transactions, for instance, by bringing on to the priced accounts articles which had not previously been included in them. Brigadier Hare added that the large stocks at certain places, for instance, Jubbulpore and Cossipore, were due to the fact that they included a portion of the central component stores.

55. As regards the losses on sales of surplus stores referred to in that paragraph, he pointed out that it was necessary to distinguish between losses on sales of waste and scrap and on sales of stock forms surplus to requirements. The Committee desired that if these two items could be distinguished without too much labour or complication this should be done in future reports and the Director of Army Audit promised to see if this could be done.

The question why interest on capital had not been included in the consolidated trading accounts was then discussed. It was explained that market prices did not exist for various commodities produced by the factories and that the only comparison possible was with the cost of articles produced by home Ordnance Factories where interest on capital was not charged.

56. Turning to the high proportion of indirect charges brought to notice in paragraph 10 of the Auditor General's letter, he explained to the Committee various measures that had been taken to reduce overheads. In the first place, what was called war staff, which was maintained in order to cope with the situation that might arise at the outbreak of war, had been reduced as the department was satisfied that it should be possible to recruit the additional staff required at the time. He also referred to the large increase in plant and buildings during the war and to further additions that had been made after the war as a war emergency measure. The process of separating war plant and buildings from those required for ordinary production was stated to be in train and the department was also considering the question whether it was necessary to take depreciation charges in regard to the former into account in calculating the cost of production. He further mentioned that the level of stocks maintained for ordinary peace time requirements had also been reduced and this rendered it possible to reduce the staff still further.

57. The Adjutant General was examined in regard to the savings under the Civil grant for expansion of the Auxiliary and Territorial Forces and confirmed what the Army Secretary had already told the Committee, that the saving was due to want of response on the part of the people themselves. The Army authorities had no means of popularising the scheme. This could only be done by the various advisory committees. He thought that there was nothing in the rules which militated against a larger number of recruits joining the forces.

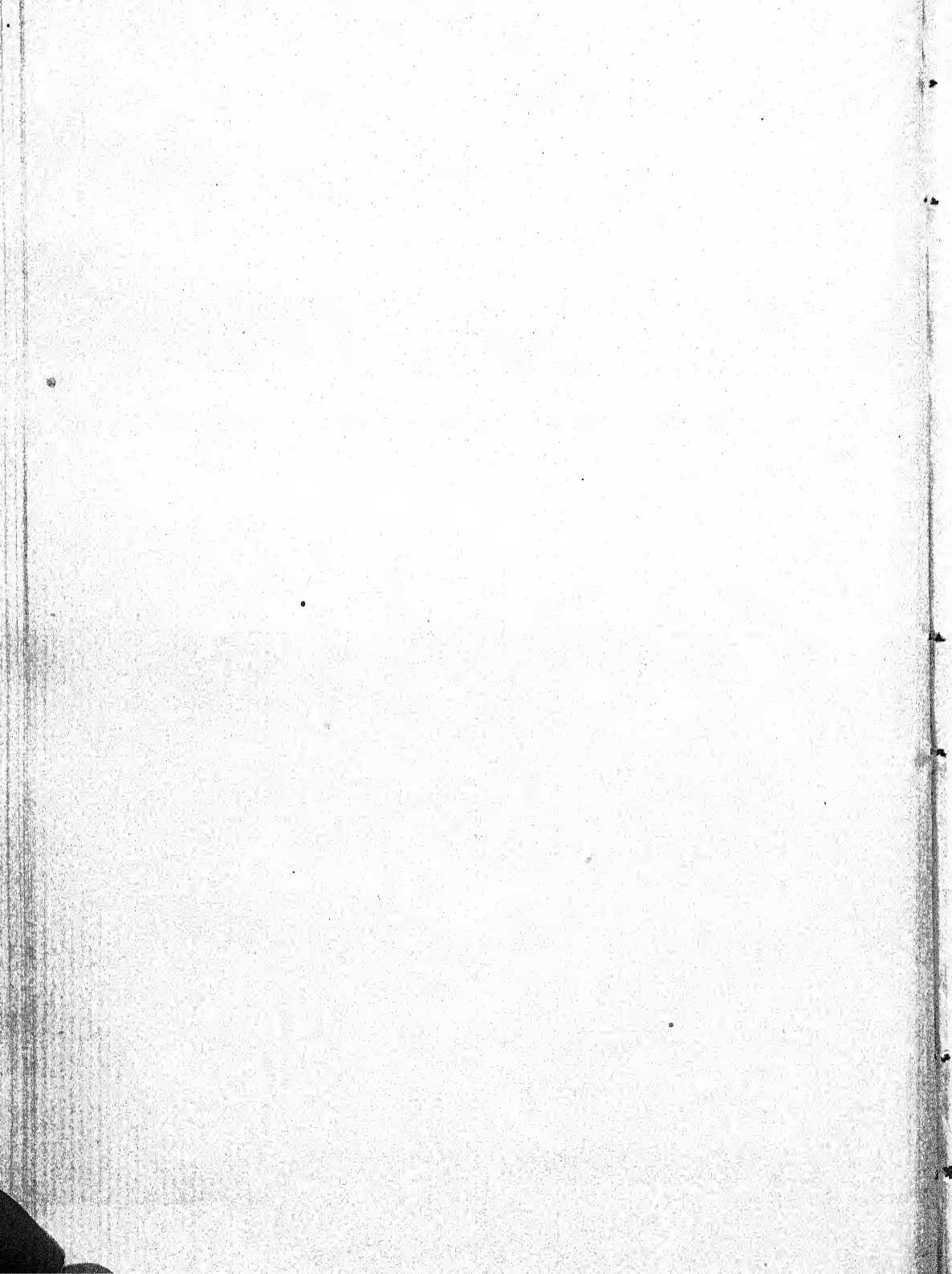
58. Dealing with the excess under Pay and Allowances of Reservists mentioned in clause (a) of paragraph 5 of the Auditor General's letter, the Adjutant General told the Committee that the explanation given, that a larger number of men were called up for training, was not correct as in the subsequent year in spite of the fact that the number of reservists had fallen by a thousand the expenditure was about Rs. 2½ lakhs more. He was having the matter examined to see if the expenditure under the head included items not properly chargeable thereunder. He informed the Committee that when reservists were called up for training the number that did not turn up would not ordinarily exceed more than five per cent. of the number called.

59. The Adjutant General was then examined on the financial irregularity reported in paragraph 39 of the report of the Director of Army Audit. He said that as the amount involved was not large he would only deal with the principle involved in the case. In his opinion the case showed that the relations between audit and administrative authorities should be improved. A draft of certain general instructions to bring this about had been sent to the Auditor General and would be issued shortly. The Financial Adviser supplemented this by saying that the present defect was partly due to the fact that the local audit staff often lacked imagination or sometimes the initiative to take such points up with superior officers. It had now been arranged that superior service officers should go out into the districts more frequently and examine the work of the local audit staff to see that if there were any points on which further action had to be taken, they were taken up without loss of time with the Officers Commanding.

60. The Army Secretary informed the Committee that, in regard to the over-payment of privilege leave allowance to a certain regimental officer mentioned in paragraph 20 of the Director's report, the Controller had addressed the Secretary of State soon after the over-payment was detected requesting him to effect the recovery but that the Controller had been informed by the Accountant General, India Office, without giving any reasons that the recovery had been waived.

61. In regard to the write-off of the lodging allowance overdrawn by a Lieutenant during a period subsequent to the issue of amendment to the regulations for the Military Engineer Services, the Financial Adviser told the Committee that the over-payment was due to no fault on the part of the Officer concerned and that the write-off was necessitated by certain action of the administrative authorities who had been told similar losses to Government should be guarded against in future.

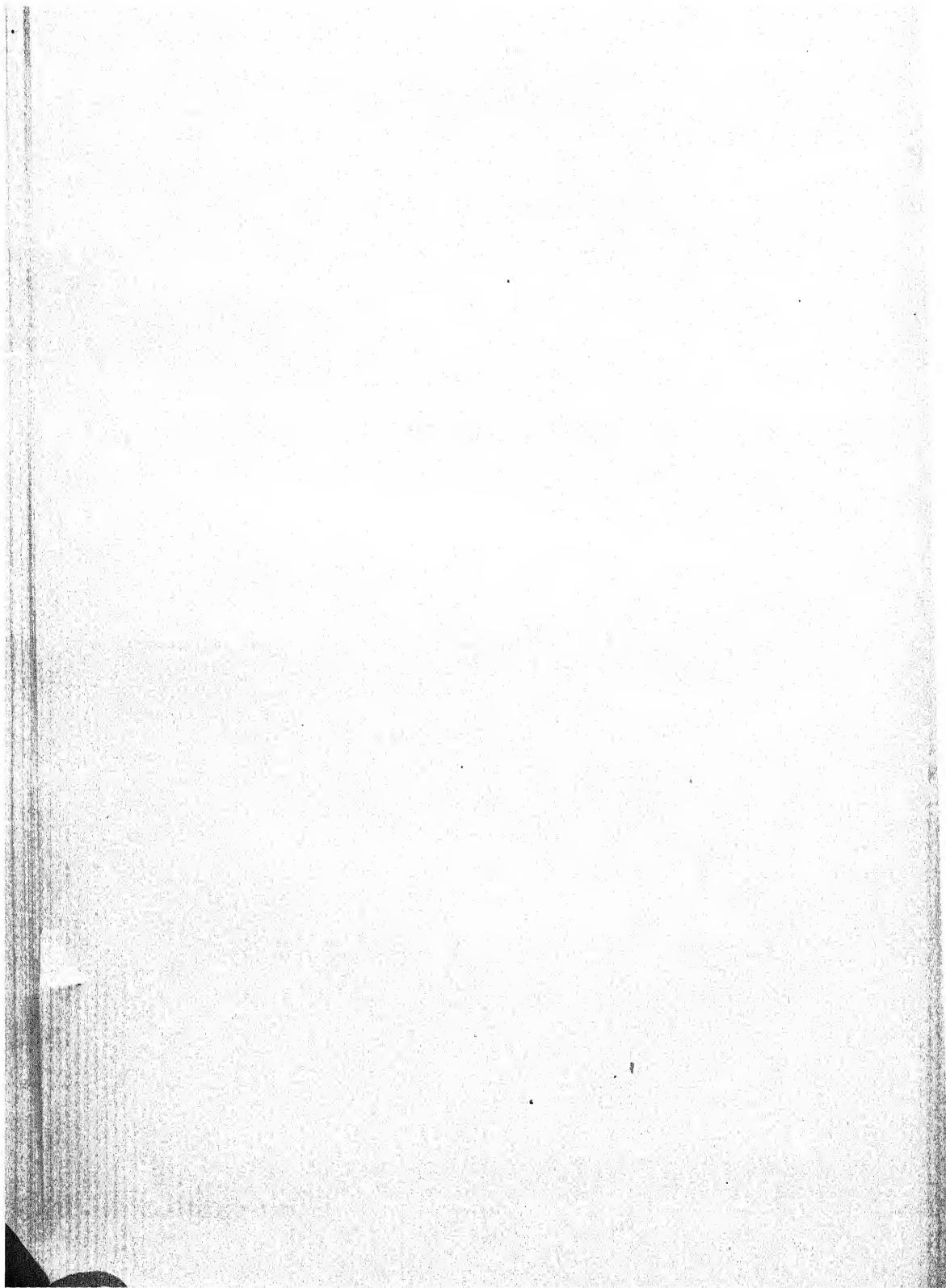
62. The Committee then adjourned.



ANNEXURE II.

Statement from the Chief of the General Staff regarding the sufficiency of resources available for the completion of special programme measures.

No funds have been provided for programme measures in the budget of the current financial year ; and no modification is required in the statement made last year that, if and when the Rupees 2½ crores still due under the original arrangement can be provided, that sum will suffice to complete the programme : always provided of course that world prices and kindred factors remain much as they are at present.



V.—PROCEEDINGS OF THE COMMITTEE.

Proceedings of the First meeting of the Public Accounts Committee held on Wednesday, the 10th August 1932, at 10-30 A.M.

PRESENT :

The Hon'ble Sir ALAN PARSONS, *Chairman*.

Sardar SANT SINGH,

Mr. B. DAS,

Mr. ABDUL MATIN CHAUDHURY,

Maulvi Sir MUHAMMAD YAKUB,

Mr. J. RAMSAY SCOTT,

Dr. R. D. DALAL,

Rao Bahadur M. C. RAJAH,

Mr. T. N. RAMAKRISHNA REDDI,

Kunwer Hajee ISMAIEL ALIKHAN,

Mr. S. C. MITRA,

} *Members.*

The Honourable Mr. J. B. TAYLOR, Financial Secretary, *Witness*.

Sir ERNEST BURDON, Auditor General,

Mr. J. F. MITCHELL, Accountant General,

Central Revenues,

} were also present.

The Committee took up the consideration of the items shown against the Auditor General and the Finance Department in the Quarterly List of outstandings (Appendix I). They accepted the action taken and the explanation given in regard to the items subject to the following remarks :—

*Item 1.—Pro forma accounts of the Experimental Fruit Farm at Quetta (Appendix X).—*The Committee accepted the *pro forma* accounts furnished by the Auditor General as giving a sufficiently correct picture of the position of the Experimental Farm and decided to take up the financial and administrative questions involved with the Department of Education, Health and Lands later.

*Item 3.—Mr. Badenoch's report on the separated audit of railway receipts and expenditure.—*The Chairman explained that though he could not give an undertaking that the report would be placed before the Committee, he thought that there would be no difficulty in complying with the wishes of the Committee to be furnished with a copy of the report.*

*Item 4.—Auditor General's note on the question of audit of Police Clothing and Police Equipment funds (Appendix XIII).—*The Committee agreed with the Auditor General's suggestions regarding the accounting and audit of such funds and the control to be exercised by the Finance Department. It was decided to take up the financial and administrative aspects with the Home Department later on.

*Item 8.—Uniform insistence on production of railway receipts in respect of claims for conveyance of motor cars in all departments (Appendix XIX).—*The Committee recommended that any change in the procedure should be

* Report since circulated.

uniformly applicable both to Government servants and to members of the Legislature.

Item 25.—Amendment of leave rules.—It was pointed out that there were certain important rules whose amendment was immediately required in order to secure a reduction in Government expenditure. The Committee decided to recommend that final decisions ought to be taken in regard to this matter in the course of the year 1932-33.

Item 26.—Treatment of losses of revenue in the Appropriation Accounts.—The Auditor General informed the Committee that it was not necessary to address the Secretary of State in regard to this matter and that the rules on the subject were under issue.

Item 28.—Combined audit and accounts office for the Andamans.—The Committee was informed by the Auditor General that proposals had been made by him in consultation with the Accountant General, Central Revenues, which would shortly be submitted to Government, suggesting the appointment of a trained Assistant Accounts Officer as Financial Adviser to the Chief Commissioner and drawing up a proper list of his duties and responsibilities.

Item 29.—Excess grants.—The Committee considered that its recommendation relating to excess grants need not be included in the Quarterly List of outstandings.

Item 30.—Commercial Audit Department.—The Auditor General explained that the decentralisation of commercial audit had made it possible to avoid duplication and unessential specialisation in the Audit Department and that the new system was, in his opinion, an improvement on the old. It had also secured to the Government a saving of about Rs. 3 lakhs.

Item 33.—Special Appendix of items awaiting consideration in connection with the impending constitutional changes.—The Committee desired that this item should continue to be shown in the Quarterly List until all the items had been properly disposed of.

Item 36.—Control over stores and stocks.—The Auditor General informed the Committee that the matter was receiving the continuous attention of his department and that a note regarding the stores position would be made in all Appropriation Accounts in future.

Item 37.—Examination of the financial prospects of projects for which the Government of India were asked to advance loans to provinces, etc.—The Chairman explained that the question had been examined by the Finance Department which had noted it for consideration in connection with the impending constitutional changes. He added that at present there was an embargo on the grant of loans for new works and that it was expected that before the embargo was removed, the new constitution would have been introduced. The Committee, however, decided that in case the embargo was removed before the new constitution, the Finance Department should examine whether during the *interim* period any steps should be taken to enable that Department to discharge its responsibility in regard to the examination of the financial prospects of projects for which loans were asked for.

Item 42.—Draft rules for the guidance of departmental officers of the Central Government in the United Provinces in the matter of execution of petty and minor works and of repairs to departmental buildings.—The Committee considered that the decision that, except repairs and petty works costing less than Rs. 2,500 which may be executed through departmental agency, all other civil works should be executed through the Public Works Department, was very satisfactory.

2. The Committee then took up for consideration the portions in the Auditor General's letter of comments relating to the Finance Department.

Paragraph 6 of the Auditor General's letter.—The Committee discussed the possibility of improving the procedure in regard to Supplementary Grants so as to minimise unnecessary grants of supply. It was explained, on the one hand, that it was not desirable to incur expenditure without appropriation and, on the other hand, it was desirable that the Assembly should not be asked to vote unnecessary funds. The Committee decided that the Finance Department should consider at the time when it was going up to the Assembly for Supplementary Grants whether there was any possibility of saving in the grant under which additional funds were asked for so as to avoid asking for more funds than were necessary.

The Auditor General informed the Committee that an examination of the total expenditure under the sub-head 'Pay of Establishment' for the five years ending 1930-31, made by the Accountant General, Central Revenues, showed that, as compared with the original appropriations, the savings had continuously declined as evidenced by the following figures :—

1926-27.	1927-28.	1928-29.	1929-30.	1930-31.
%	%	%	%	%
6.2	3.9	2.8	2.5	1.4

The Committee noted this result with satisfaction.

Paragraph 8.—Claims against Indian States.—In regard to the possible exception mentioned in that paragraph, the Auditor General explained that he had completed his enquiry and found that the position was satisfactory. He added that at present the transactions between the Government and the States were settled in some cases in cash and in others through account current and that he had made a reference to the Finance Department regarding this difference of procedure. He hoped that the orders issued on that reference would put the matter on a proper basis.

Paragraph 12 of the Auditor General's letter.—The Committee considered the note furnished by the Controller of the Currency on the subject of estimating and control of expenditure under Grant No. 97—Interest free Advances (*Appendix XV*). The Committee desired that the Finance Department should consider whether estimating could be improved if arrangements were made by the Controller of the Currency to obtain information from the provincial Accountants General somewhat later than at present.

Paragraph 28 of the Auditor General's letter.—The Committee desired that the Finance Department should examine departmentally whether more pressure could be brought to bear on the Provincial Governments to foresee their requirements at an earlier date and to intimate these requirements to the Government of India so as to enable the latter to go to the Assembly for Supplementary Grants in time, and thereby avoid excess over the grant as in the year under review.

3. The Committee adjourned till 2-30 P.M.

Proceedings of the Second meeting of the Public Accounts Committee
held on Wednesday, the 10th August 1932, at 2-30 P.M.

PRESENT :

The Hon'ble Sir ALAN PARSONS, *Chairman.*

Sardar SANT SINGH,

Mr. B. DAS,

Mr. ABDUL MATIN CHAUDHURY,

Maulvi Sir MUHAMMAD YAKUB,

Mr. J. RAMSAY SCOTT,

Dr. R. D. DALAL,

Rao Bahadur M. C. RAJAH,

Mr. T. N. RAMAKRISHNA REDDI,

Kunwer HAJEE ISMAEL ALIKHAN,

Mr. S. C. MITRA,

Sir ERNEST BURDON, Auditor General,

Mr. J. F. MITCHELL, Accountant General,
Central Revenues,

The Hon'ble Mr. J. B. TAYLOR, Financial
Secretary,

Mr. A. H. LLOYD, Member, Central Board
of Revenue.

Members.

were also present.

Witness.

4. The Committee took up the consideration of the items shown against the Central Board of Revenue in the Quarterly List of outstanding (Appendix I).

Item 10.—Contract Grant in respect of the head "Purchase and Repair of Boats".—The Committee was informed that orders had been issued abolishing the Contract Grant. This by itself would not check the over-estimating noticed in the Appropriation Accounts, but the Committee was assured that the Central Board of Revenue was keeping a proper watch over the expenditure.

Item 11.—Up-to-date information regarding salt commercial undertakings.—The Committee was satisfied that necessary instructions had been issued by the Board.

5. The Committee then considered the comments in the Auditor General's letter relating to the Central Board of Revenue.

Paragraph 15 of the Auditor General's letter.—Mr. Lloyd explained fully the nature of the loss referred to in this paragraph and added that the Government of India had conveyed their displeasure to the officers concerned who were responsible for the issue of salt of bad quality which ultimately led to loss of Government money. The Committee accepted the explanation.

Grant No. 16.—Customs.

6. The Committee noted that the recommendation made by the General Purposes Sub-Committee regarding over-time fees had not been accepted by Government.

Mr. Lloyd explained that, under the departmental arrangement for the supply of liveries by a Collector of Customs referred to in paragraph 5 of the " Important Comments " under this Grant, the Collector alleged that he had obtained better and cheaper articles. The Committee decided to take this matter up with the Indian Stores Department.

The Committee considered the memorandum furnished by the Auditor General regarding Customs revenue audit (Appendix IX). They approved of the scheme that had been adopted as a result of a special enquiry.

Grant No. 18—Salt.

7. The Committee was informed that the large savings under " Supplies and Services " and " Salt Purchase and Freight " were due to the fact that departmental officers provided in their budgets for the maximum purchase and manufacture of salt likely to be made during the year for sale to the public. Strict instructions were issued in 1931-32 asking the budgeting authorities under the Board not to provide any such margin of safety in their estimates and to cut down their estimates as much as possible in the light of past experience. These instructions had been renewed for the current year and future years.

8. The Committee then proceeded to consider items relating to the Finance Department which were left over from the first meeting.

Grant No. 20—Stamps.

9. The Committee discussed the suggestion made in paragraph 92 of the Appendix prepared by the Director of Commercial Audit that a suitable means of terminating earlier the dead weight loss to the Press on account of the surplus paper stock would be to print all cheques for the Government of India Departments in the Security Printing Press at Nasik. The Financial Secretary explained that the surplus paper was being used for cash certificates and for promissory note and treasury bill forms and that the surplus should be cleared off soon.

Grant No. 71—Mint.

10. The Financial Secretary was asked whether any steps had been taken to train locally art engravers for the Mint. The Committee was informed that two apprentices had been taken locally and were being trained.

The question was raised whether the balance of stocks and stores in the various commercial undertakings under the control of the Finance Department could not be reduced. The Financial Secretary explained that the balances were being closely watched and reduced wherever possible.

Grant No. 98—Loans and Advances bearing Interest.

11. The Auditor General informed the Committee that, since the Accountant General wrote his " Important Comments ", he had received a copy of the Resolution of the Government of India on the working of the Provincial Loans Fund during the year 1930-31. The Accountant General had examined the Resolution and accepted it as correct. He had no points in connection with the working of the Fund during the year to bring to the notice of the Committee.

12. The Committee adjourned till 11 A.M. on Thursday, the 11th August 1932.

Proceedings of the Third meeting of the Public Accounts Committee
held on Thursday, the 11th August 1932, at 11 A.M.

PRESENT :

The Hon'ble Sir ALAN PARSONS, *Chairman*.

Sardar SANT SINGH,

Mr. B. DAS,

Mr. ABDUL MATIN CHAUDHURY,

Maulvi Sir MUHAMMAD YAKUB,

Mr. J. RAMSAY SCOTT,

Dr. R. D. DALAL,

Rao Bahadur M. C. RAJAH,

Mr. T. N. RAMAKRISHNA REDDI,

Kunwer Hajee ISMAIEL ALIKHAN,

Mr. S. C. MITRA.

Sir ERNEST BURDON, Auditor General.

Mr. J. F. MITCHELL, Accountant General,
Central Revenues.

The Hon'ble Mr. J. B. TAYLOR, Financial
Secretary.

Mr. A. B. REID, Secretary, Department
of Education, Health and Lands,

Mr. RAM CHANDRA, Joint Secretary,
Department of Education, Health
and Lands,

Mr. M. S. A. HYDARI, Deputy Secretary,
Department of Education, Health
and Lands.

Members.

Were also present.

Witnesses.

13. The Committee took up the consideration of the Appropriation Accounts and connected documents relating to the Department of Education, Health and Lands:

14. The Committee accepted the action taken and the explanation given in regard to the items shown as outstanding in the Quarterly List (Appendix I) subject to the following remarks :—

Item 15.—Question of keeping cinchona accounts on a commercial basis in respect of the transactions of the Government of India.—The Committee desired that the Department should consult the Audit Officer in regard to the possibility of keeping commercial accounts and of getting over any difficulties arising from the fact that the Bengal Government had dropped the proposal in respect of their own transactions.

Item 16.—Disposal of the surplus stock of quinine.—After ascertaining the present position from the departmental witnesses, the Committee

reserved for discussion among themselves the recommendation to be made in regard to this matter.

Item 17.—Report of the economic results of the Fruit Farm at Quetta (Appendix XXI).—The Committee suggested that in future it would be sufficient if the report took the form of the usual commercial account with a short review by the administration showing also the general economic results. The report would then automatically be included in the Appendix to the Appropriation Accounts relating to accounts and reviews of Government commercial concerns.

Item 18.—Result of retrenchment in the Mathematical Instrument Office at Calcutta (Appendix XVII).—The Committee was not satisfied with the retrenchment effected in the expenditure on salaries and wages. It was informed that if the establishment were retrenched any further it would be difficult to replace trained workmen when better times come ; but that the matter was receiving the attention of the Department. The Committee suggested that this difficulty might be partly met by introducing short time, and that this should also be considered. The Committee examined the stores balances in the institution and decided to make a general recommendation that the question of reducing stores balances in all departments by reducing manufacture and suspending home indents and in all other possible ways should be taken in hand.

Item 19.—Presentation of the total cost of the Central Museum at Calcutta.—The Committee was informed by the Accountant General, Central Revenues, that the matter was under examination between him and the Deputy Accountant General, Central Revenues, Calcutta. The Committee desired that a report should be made next year of the results of the examination and the Department undertook to do so.

Item 23.—Mr. Morgan's report on timber business in the Andamans.—The Committee desired to be furnished with a copy of the memorandum* which was circulated to the Standing Finance Committee embodying the proposals of Government for the introduction of a working plan scheme as recommended by Mr. Morgan.

Item 24.—Debiting the commercial accounts with royalty on timber.—The Committee was informed that a reply from the Chief Commissioner was awaited.

15. Paragraph 26 of the Auditor General's letter.—The Committee examined the memorandum furnished by the department with reference to the comments in this paragraph (*Appendix XVI*) and was not quite satisfied with the explanation given as regards the difference between valuation and the sale price of cattle. It appeared to the Committee that the re-valuation for purposes of accounts on the 31st March 1930, had not been carefully done and the Committee suggested to the Department that the matter should be carefully looked into. The Department undertook to do so.

Grant No. 59.—Agriculture.

16. The Committee made a general examination of the accounts of the dairy farms and creamery. The Committee suggested to the Department that the question of increasing the rates charged to the Army for

* Memorandum reproduced in Proceedings of Standing Finance Committee of 19th February 1932 ; copies already supplied to members of the Legislative Assembly.

the products of the Imperial Institute, Wellington, until it ceased to be a losing concern, should be considered, or, in the alternative, that the Department should examine the question of closing down the Institute altogether.

17. The Committee considered the memorandum of doubtful cases of "New Service" appearing in the Accounts for 1930-31 furnished by the Auditor General (Appendix VII) and agreed that the expenditure incurred for locust control operations should be classified as being in respect of a "New Service". The Committee also accepted the suggestion of the Auditor General that in order to avoid barren formalities it was sufficient to make a general recommendation that cases of expenditure on "New Services" mentioned in previous reports, should be tacitly condoned. As regards the procedure to be followed hereafter in regularising such expenditure, the Chairman was authorised by the Committee to discuss the matter with the Hon'ble the President and report to the Committee the final procedure agreed to.

Grant No. 48.—Survey of India.

18. One of the members raised the general question of policy in the matter of providing Royal Engineer Officers for the Survey of India.

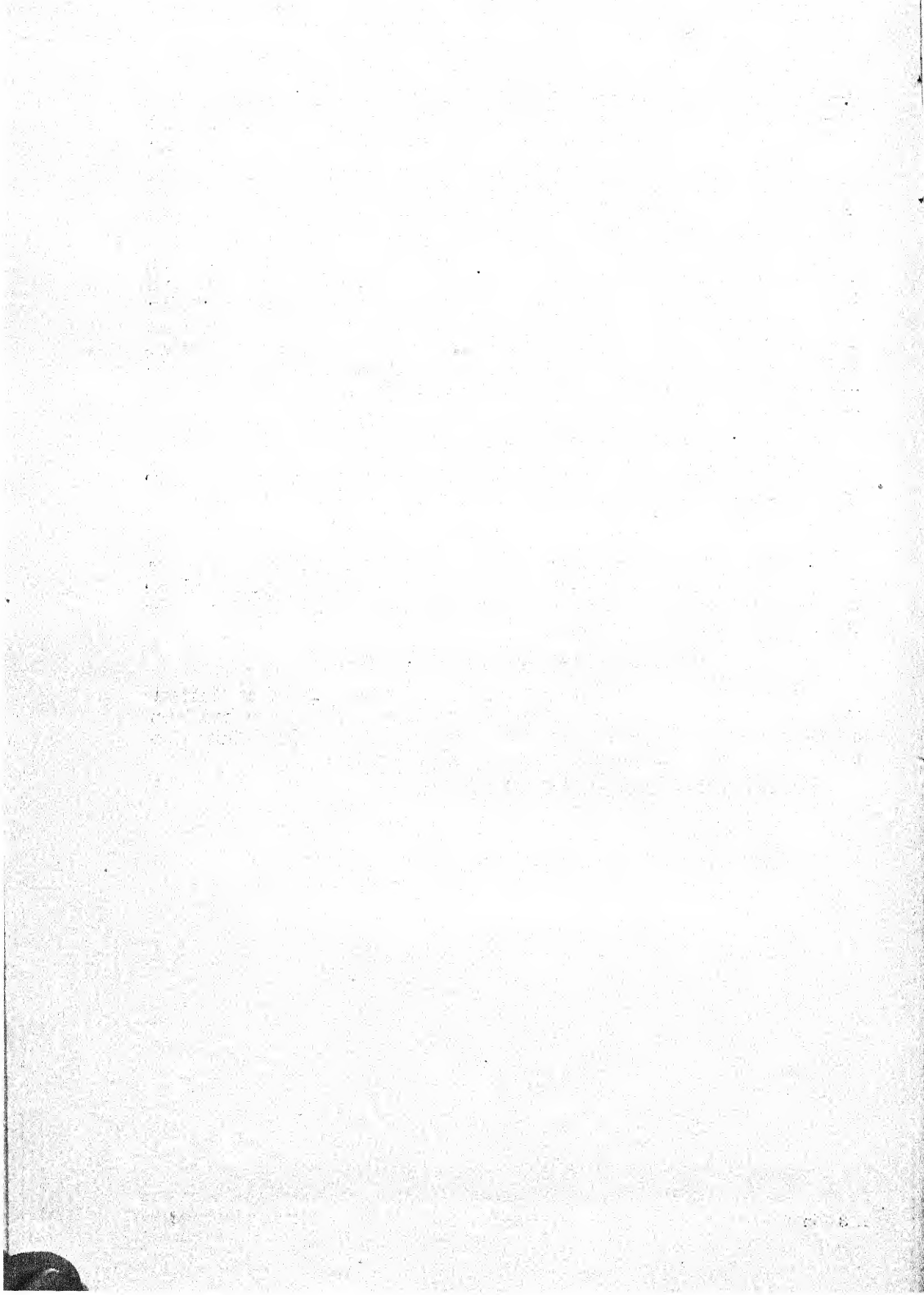
Grant No. 57.—Medical Services.

19. The Committee discussed the necessity for the provision for the Bacteriological Officer which remained unutilised during the year, and the departmental witnesses undertook to examine whether the provision might not always be omitted in future.

Grant No. 60.—Civil Veterinary Services.

20. The question of reducing the price of serum produced at Muktesar was raised and the Committee was informed that the Director had been asked to report on the real cost of production and to make definite proposals in regard to the possibility of reduction of price.

21. The Committee adjourned till 2-30 p.m.



Proceedings of the Fourth Meeting of the Public Accounts Committee held
on Thursday, the 11th August 1932, at 2-30 P.M.

PRESENT :

The Hon'ble Sir ALAN PARSONS, *Chairman*,

Sardar SANT SINGH,

Mr. B. DAS,

Mr. ABDUL MATIN Chaudhury,

Maulvi Sir MUHAMMAD YAKUB,

Mr. J. RAMSAY SCOTT,

Dr. R. D. DALAL,

Rao Bahadur M. C. RAJAH,

Mr. T. N. RAMAKRISHNA REDDI,

Kunwer Hajee ISMAIEL ALIKHAN,

Mr. S. C. MITRA.

Members.

Sir ERNEST BURDON, Auditor General,

Mr. J. F. MITCHELL, Accountant General,
Central Revenues,

The Hon'ble Mr. J. B. TAYLOR, Financial
Secretary.

Were also present.

Mr. A. G. CLOW, Secretary, Department of
Industries and Labour,

Mr. TIN TUT, Joint Secretary, Depart-
ment of Industries and Labour,

Mr. F. TYMMS, Director of Civil Aviation,

Mr. J. S. Pitkeathly, Chief Controller
of Stores,

Mr. A. BREBNER, Chief Engineer, Central
Public Works Department, Delhi.

Witnesses.

22. The Committee took up the consideration of the Appropriation Accounts and connected documents relating to the Department of Industries and Labour.

23. The Committee accepted the action taken and the explanation given in regard to items shown as outstandings in the Quarterly List (Appendix I) subject to the following remarks :—

Item 50.—Systematic investigation of the proper administration of Government properties.—The Committee considered that its purpose had been served by the recommendation drawing the attention of Government to this important matter.

Item 56.—Speedy disposal of surplus stores.—The Chief Engineer gave the Committee full information regarding the details of the stores held in stock and the Committee was satisfied that all steps possible had been taken to expedite the disposal of surplus stocks and that it was better to hold on to the balance in the hope that they could be utilised later rather than sell at ruinous prices.

Item 57.—Note on the question of printing publications in excess of requirements.—The Committee was informed that the delay in the submission of the note was due to a misapprehension and that the note would be ready within a month or two.

The Committee discussed the question of the reduction in the number of copies of the Evidence Volume of the Public Accounts Committee and decided that the present practice of furnishing each member of the Legislature with a copy should be continued.

24. Paragraph 19 of the Auditor General's letter.—Quantity of stores held in the Malakand and Swabi Divisions of the North-West Frontier Province.—The Committee was informed that the quantity in stock on the 31st March 1932 had been considerably reduced and that in future the matter would concern the local Government of the North-West Frontier Province.

25. Paragraph 20 of the Auditor General's letter.—Provision for Civil Works.—The Committee was informed that in regard to some of the original works included in the statement given in the Appropriation Accounts, the Department of Industries and Labour only played the part of a compiling agent (for budgetting purposes) of the Foreign and Political Department. The Committee thought that the system of budgetting for Public Works expenditure required overhauling.

The Committee discussed with the Chief Engineer the question of the purposes to which the Reserve should be confined and came to the conclusion that the Reserve was for two purposes, *viz.*, to meet throw-forwards from the previous year and to meet really unforeseen and emergent demands. The Committee agreed with the Auditor General that it should be a recognised principle that, so far as possible, allotments for original works should be made in the estimates presented to the Legislature. The Committee was informed that all expenditure on original works was brought to the notice of the Standing Finance Committee either before or after it was incurred. The Committee came to the conclusion, after considering the various cases specially brought to its notice by the Auditor General, that the present system of utilisation of the Reserve also required overhauling.

As regards the closer estimation of the requirements under the head "Block grant for expenditure on road development", it was explained that close estimates are made in connection with the revised estimates of the year but that, owing to a misapprehension on the part of the Finance Department, steps were not taken in time during 1930-31 for the surrender of the surplus funds.

26. Paragraph 21 of the Auditor General's letter.—Inadequacy of the surrender under Indian State Air Service.—It was explained by the Director that this was due to the fact that a lump reduction of 2 lakhs had

been made for probable savings in the original budget, that it was not expected that these savings would accrue, but that in the event the amount was actually covered by savings which were not known before the end of the year.

27. *Paragraph 23 of the Auditor General's letter.—Unanticipated credits in the Indian Stores Department.*—The Committee agreed with the Auditor General that it was not permissible for unanticipated credits of the kind mentioned by him to be utilised for the purpose of covering expenditure in excess of the grant directly sanctioned and held that such credits should be treated as receipts and not deductions from expenditure.

28. The Chief Controller of Stores undertook to supplement the profit and loss account of the Stores Department each year by a financial review on the lines of the reviews of commercial concerns which were prepared by the officials charged with their management and included in the Appendix containing commercial accounts.

29. The Committee discussed with the Chief Controller the allegations that had been brought to its notice that purchases in the open market were cheaper and better than purchases through the Indian Stores Department. The specific instance, referred to in paragraph 5 of the "Important Comments" included under Grant No. 16, was brought to his notice. As regards the latter, the Chief Controller promised to send a note* to the Committee and added that, so far as he could recollect, the case would show the Indian Stores Department in a favourable light. Dealing with the general question he said that it was often easy to go to the market after the Indian Stores Department had invited tenders and given out contracts and obtain lower rates from tenderers whose tenders had been rejected, but that if the tender system were abolished and if all departments purchased in the open market he was sure that the rates would be considerably higher than were now obtainable through the Indian Stores Department and that the result would be to the disadvantage of the tax-payer.

Grant No. 74.—Stationery and Printing.

30. The Auditor General informed the Committee that he was not satisfied with the form of the trading accounts given at present in the Appropriation Accounts and that he was taking steps to put them on a correct and proper basis.

31. The Committee discussed with the departmental witnesses the question of the monetary allotments for stationery fixed by the Controller of Printing and Stationery. As the Stationery and Printing Department was a service department, the expenditure was shown under the Stationery and Printing Grant for which the Department of Industries and Labour was responsible. It was considered, therefore, that that Department through its Controller should have a voice in fixing these allotments. It was, however, thought desirable that, as the allotments had been fixed some years ago, the Controller should make a limited investigation into the adequacy of the existing allotments by examining one or two typical offices. A system of combined control both by the departments and by the Controller with powers to the Controller to bring to notice any extravagance in the use of stationery by departments was considered to be the ideal system.

* Note since circulated, vide Appendix XXVIII.

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32. As under other grants, the Committee devoted careful attention to the stock balances in the various offices and desired to be furnished with a note by the Controller next year on the possibility of reducing stocks in the offices under his control. As the reduction of stock balances was a general question which concerned all commercial undertakings of the Government, the Auditor General suggested and the Committee agreed that a note should be given every year in the Appendix containing accounts and reviews of Government commercial concerns, dealing with the question of stocks and whether the balances held on the last day of the year were justified. The Accountant General informed the Committee that owing to the state of general confusion in the Central Publication Branch, the Audit Officer had not been able to give the usual audit certificate. He was taking up the matter with the administrative authorities and hoped to get it settled satisfactorily.

33. The Committee adjourned till 2-30 P.M. on Monday, the 15th August 1932.

Proceedings of the Fifth meeting of the Public Accounts Committee, held on
Monday, the 15th August 1932, at 2-30 P.M.

PRESENT :

The Hon'ble Sir ALAN PARSONS, *Chairman*.

Sardar SANT SINGH,
Mr. B. DAS,
Mr. ABDUL MATIN CHAUDHURY,
Mr. MUHAMMAD ANWAR-UL-AZIM,
Maulvi Sir MUHAMMAD YAKUB,
Mr. J. RAMSAY SCOTT,
Dr. R. D. DALAL,
Rao Bahadur M. C. RAJAH.
Mr. T. N. RAMAKRISHNA REDDI,
Kunwer Hajee ISMAIEL ALIKHAN,
Mr. S. C. MITRA.

} *Members.*

Sir ERNEST BURDON, Auditor General,
Mr. J. F. MITCHELL, Accountant General, Central
Revenues, } *Were also*
The Hon'ble Mr. J. B. TAYLOR, Financial Secretary. } *present.*

Mr. A. RAISMAN, Joint Secretary, Commerce Department, } *Witnesses.*
Mr. C. W. GWYNNE, Joint Secretary, Home Department. }

34. The Committee first considered the suggestion by the Auditor General that the Railway Appropriation Accounts and the connected documents should be dealt with by a sub-committee. The Committee did not accept the suggestion.

35. The Committee then proceeded with the examination of the Accounts and connected documents relating to the Commerce Department.

Item 12.—Appendix I.—Revision of the Ecclesiastical rules.—The Committee was informed that the question was under examination and that the rules were likely to be ready before the end of the financial year.

Item 13.—Bengal Pilot Service.—The Committee discussed the accounts of the Bengal Pilot Service and in this connection was told by the witness that the aim of the department was not only to make the service self-supporting in future but also to recoup recent deficits.

Andamans Concerns.

36. The Committee discussed with the representative of the Home Department the question raised in paragraph 18 of the Auditor General's letter regarding Andamans concerns. It was explained that the prices charged in the Andamans compared favourably with those prevailing in Delhi, but the Committee did not see any reason why the products of the Butchery and the Dairy in the Andamans should be sold at less than cost price, particularly in the case of supplies made to the Army. The witness promised to put the suggestion

to the Chief Commissioner and the Committee was satisfied with the undertaking.

37. The Accountant General, Central Revenues, raised in this connection a question whether a proper commercial rate should not be charged to the Forest Department for carriage of timber instead of the 'charter' rates. This would reduce the loss on the Shipping Department by about $1\frac{1}{2}$ lakhs. The Committee considered that the question should be examined in connection with Mr. Morgan's report where it had been raised.

38. The Committee then adjourned till 10-30 A.M. on Wednesday, the 17th August 1932.

Proceedings of the Sixth meeting of the Public Accounts Committee held on
Wednesday, the 17th August 1932, at 10-30 A.M.

PRESENT :

The Hon'ble Sir ALAN PARSONS, *Chairman*.

Sardar SANT SINGH,

Mr. B. DAS,

Mr. ABDUL MATIN CHAUDHURY,

Mr. MUHAMMAD ANWAR-UL-AZIM,

Maulvi Sir MUHAMMAD YAKUB,

Mr. J. RAMSAY SCOTT,

Dr. R. D. DALAL,

Rao Bahadur M. C. RAJAH,

Mr. T. N. RAMAKRISHNA REDDI,

Mr. S. C. MITRA,

Members.

Sir ERNEST BURDON, Auditor General,

Mr. J. F. MITCHELL, Accountant General, Central
Revenues,

Were also present.

The Hon'ble Mr. J. B. TAYLOR, Financial Secretary.

Mr. C. M. TRIVEDI, Deputy Secretary, Home Department,

L. BISHEN SWARUP (from Delhi Administration),

Mr. H. A. F. METCALFE, Foreign Secretary,

Mr. V. NARAHARI RAO, Under Secretary, Foreign and
Political Department,

Witnesses.

Rai Bahadur CHUNI LAL, Financial Secretary, North-
West Frontier Province,

L. SUNDAR DAS, Financial Assistant, Baluchistan.

39. The Committee continued its examination of the Appropriation Accounts relating to the Home Department.

Grant No. 75.—Miscellaneous.

40. The Committee was informed that a sum of about Rs. 6,000 was spent on the supply of books and periodicals to the India Office and the High Commissioner by the Local Governments as agents for the Central Government. The Accountant General, Central Revenues, undertook to ascertain on behalf of the Committee the nature of the books and periodicals supplied.

Grant No. 79.—Delhi.

41. It was explained that the savings under grants-in-aid were due to the aided schools not finding their share of the expenditure.

Grant-in-aid to the Lady Hardinge Medical College and Hospital, Delhi.

42. The Auditor General was asked why no accounts of the receipts and expenditure of the institution had been placed before the Committee and was informed that as the institution was a private one it was neither necessary nor correct to incorporate the accounts of the institution in the Appropriation Accounts.

Appendix XIII—Police clothing and other funds.

43. The Committee decided that, in view of the advantages mentioned in the Appendix, the system should be continued subject to the adoption of proposals regarding budgetting and control suggested by the Accountant General. The Committee desired to draw the attention of the Finance Department to paragraph 9 of the Appendix where it was stated that, if the balance of the fund was sufficiently large to meet the initial expenditure in connection with an increase in the sanctioned strength of the cadre, no initial grant seemed necessary and that, when a reduction in establishment took place, the question of obtaining a *pro rata* refund of the initial grant originally drawn should also be considered.

The higher average cost in the case of Delhi mentioned in paragraph 12 of that Appendix was explained as due to the fact that the figure related to urban police and that the duties in Delhi were heavier and the standard of equipment higher than in other places mentioned in that paragraph.

44. The Committee then proceeded to examine the representatives of the Foreign and Political Department.

Grant No. 77.—North-West Frontier Province.

45. *Item F.—Refugees and State Prisoners.*—It was stated in the note under this sub-head that these charges related to the year 1922-23. It was explained that the expenditure was incurred in 1922-23 and kept in suspense and that the final sanction to write-off was given only in the year under report.

The representative of the North-West Frontier Province explained the reasons for the apparently defective control over expenditure brought to notice by the Accountant General in his Note immediately before "Important Comments". The chief point made was that certain savings anticipated were not realised. But taking the grant as a whole, it was observed that the savings amounted only to about 1.8 and 1.4 lakhs, respectively, against the original appropriation of 146 lakhs (non-voted) and 110 lakhs (voted).

Grant No. 78.—Baluchistan.

46. In regard to paragraph 1 of the Accountant General's "Important Comments", it was explained by the Auditor General that grants-in-aid and contributions towards Athletic Clubs for Government servants were in certain cases legitimate items of public expenditure; but that as a result of the comments of the Accountant General, Central Revenues, the amount of expenditure had been considerably reduced in the budget for 1932-33.

Appendix XXV.—Audit of the accounts of the Architects of Nasik Building.

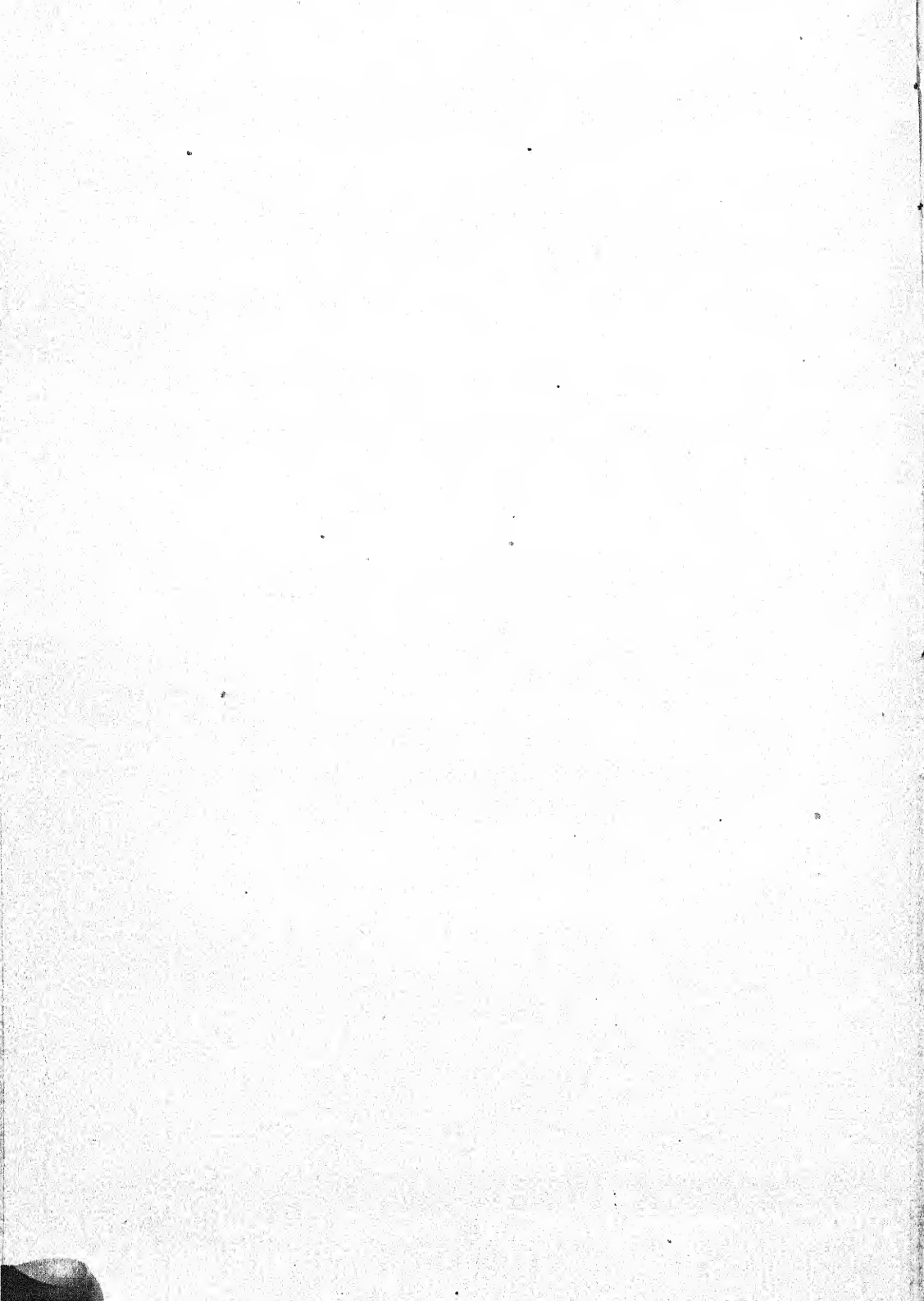
47. The Auditor General briefly explained the purpose of this memorandum. He added with reference to the last paragraph of his memorandum that the Government of India had reached a decision that in future the construction of all civil works, other than those for petty constructions and repairs not exceeding Rs. 2,500, should be entrusted to the Public Works Department. This decision was based on the point of view which had been pressed by the Auditor General. The Committee was generally in agreement with the policy adopted by Government on the advice of the Auditor General, but without prejudice to

the question of employing consulting architects or private firms for the construction of Government buildings subject to the required supervision.

Grant No. 75.—Miscellaneous.

48. *Expenditure on account of Delegates to the War Conference, 1917, etc.*—The Financial Secretary explained that the payments were in accordance with the rules made by Government and that the terms under which Princes were sent as delegates differed from those for ordinary delegates.

49. The Committee then adjourned till 11 A.M., on Thursday, the 18th August 1932.



Proceedings of the Seventh meeting of the Public Accounts Committee held on
Thursday, the 18th August 1932, at 11 A.M.

PRESENT :

The Hon'ble Sir ALAN PARSONS, *Chairman.*

Sardar SANT SINGH,

Mr. B. DAS,

Mr. ABDUL MATIN CHAUDHURY,

Mr. MUHAMMAD ANWAR-UL-AZIM,

Maulvi Sir MUHAMMAD YAKUB,

Mr. J. RAMSAY SCOTT,

Dr. R. D. DALAL,

Rao Bahadur M. C. RAJAH,

Mr. T. N. RAMAKRISHNA REDDI,

Kunwer Hajee ISMAIEL ALIKHAN,

Mr. S. C. MITRA.

Members.

Sir ERNEST BURDON, Auditor General,

Mr. JAGAT PRASAD, Accountant General, Posts
and Telegraphs,

The Hon'ble Mr. J. B. TAYLOR, Financial Secre-
tary,

Were also present.

Mr. T. RYAN, Director-General of Posts and
Telegraphs,

Mr. F. T. DE MONTE, Chief Engineer, Posts and
Telegraphs,

Mr. M. R. COBURN, Financial Adviser, Posts and
Telegraphs.

Witnesses.

50. The Committee examined the Accounts and connected documents relating to the Posts and Telegraphs Department.

51. The Committee accepted the explanation given and the action taken in regard to the outstanding recommendations shown in the Quarterly List (Appendix I) subject to the following remarks:—

Item 67.—Settlement of claims against Railways.—It was decided to take the matter up with the Railway Department when the representatives of that Department appeared before the Committee.

Item 69.—Statistics of cost of establishment employed on works (Appendix XXII).—The Accountant General had furnished a memorandum giving these statistics both on the basis of the actual figures shown in the accounts

of the Department and on a revised basis involving a selection of figures in order to make the results comparable with the corresponding figures in the Public Works Department. The Director-General informed the Committee that little use had been made of any of these figures in the past but that in future variations from year to year would be examined and utilized for controlling expenditure on establishments. The question whether the Accountant General should be asked to furnish revised figures on the basis given in his memorandum or whether the Department should be satisfied with the figures available from the accounts of the Department as maintained at present was left to be settled by the Director-General in consultation with the Auditor General, Financial Adviser, and the Accountant General.

Item 71.—Recommendations of the Posts and Telegraphs Accounts Enquiry Committee.—The Committee postponed consideration of this item and the memorandum circulated by Financial Secretary in respect of it (Appendix XXVI).

Item 72.—Appointment of trained Accountants in the Department.—The Committee was informed that the opinions of the various Post Masters General had been received and the question was being considered. Personally, the Director-General thought that the suggestion that the compilations by the officers of the Department might be improved by the appointment of trained Accountants was likely to be found useful. He undertook to consult the Accountant General and the Financial Adviser before coming to a final conclusion in the matter.

Item 73.—Recovery of rent from officials of the Department.—The Committee was informed that, out of a total of 3,483 buildings, rent for 1,640 had been assessed and that the assessment in respect of the rest was being expedited. In the meantime rents were being provisionally levied on the present basis.

52. Paragraph 4 of the Auditor General's letter—Financial position of the Department (Appendix XXVII).—The Committee agreed with the Auditor General that it was premature to assume that the year 1930-31 might be taken as closing an important chapter in the history of the Department, as observed by the Accountant General, and that it would not agree to be satisfied except by the test of actual results. The Committee accepted the statement in paragraphs 43 and 44 of the Accountant General's Report as a fair statement of the financial position of the Department.

*53. Paragraph 6 *ibid*—Control of expenditure.*—The Director-General explained the steps that had been taken to remedy the defect in the existing procedure pointed out by the Auditor General in this paragraph. At the instance of the Committee, the Accountant General undertook to bring to notice in his subsequent reports whether the steps now taken had led to the improvements hoped for.

Grant No. 90.—Expenditure on Capital Outlay.

54. The attention of the Committee was drawn to the large lapses under the heads "New building for the Postal Audit Office at Madras" and "Establishment, Tools and Plant" and to the re-appropriation of savings under the head "Major Works" to "Minor Works." The Director-General explained generally the causes for the lapses in Works expenditure and added that,

in regard to buildings which were in charge of the local Public Works Department, his Department had to rely on the information furnished by the former Department. The Committee observed that the re-appropriation of savings under Major Works to a large number of Minor Works involved financial commitments over which the Department should exercise greater control in future.

55. The Committee discussed with the Director-General the position of the Telephone Branch, where a profit of about one lakh in 1929-30 had been converted into a loss of 2 lakhs in 1930-31. This was due chiefly to the normal increase in revenue not having been realised during the year and partly to increases in the pay and allowances of staff and repairs to buildings, lines and apparatus, including some unusual but unavoidable items of expenditure, as well as partly to increased debits to the Telephone Branch on account of certain inter-branch adjustments.

56. The Committee was informed that the increase in stationery and printing charges during the year was probably due to the printing of forms and that the actual reasons for the increase were being examined.

57. *Paragraph 45 of the Report of the Accountant General—Financial irregularities.*—The Director-General informed the Committee that the standard of honesty in the department was high and that he considered that it would be unnecessary and unfair to raise the security obtained from postal officials.

Paragraph 50 ibid.—The Committee commented on the inadequacy of the action taken in this case.

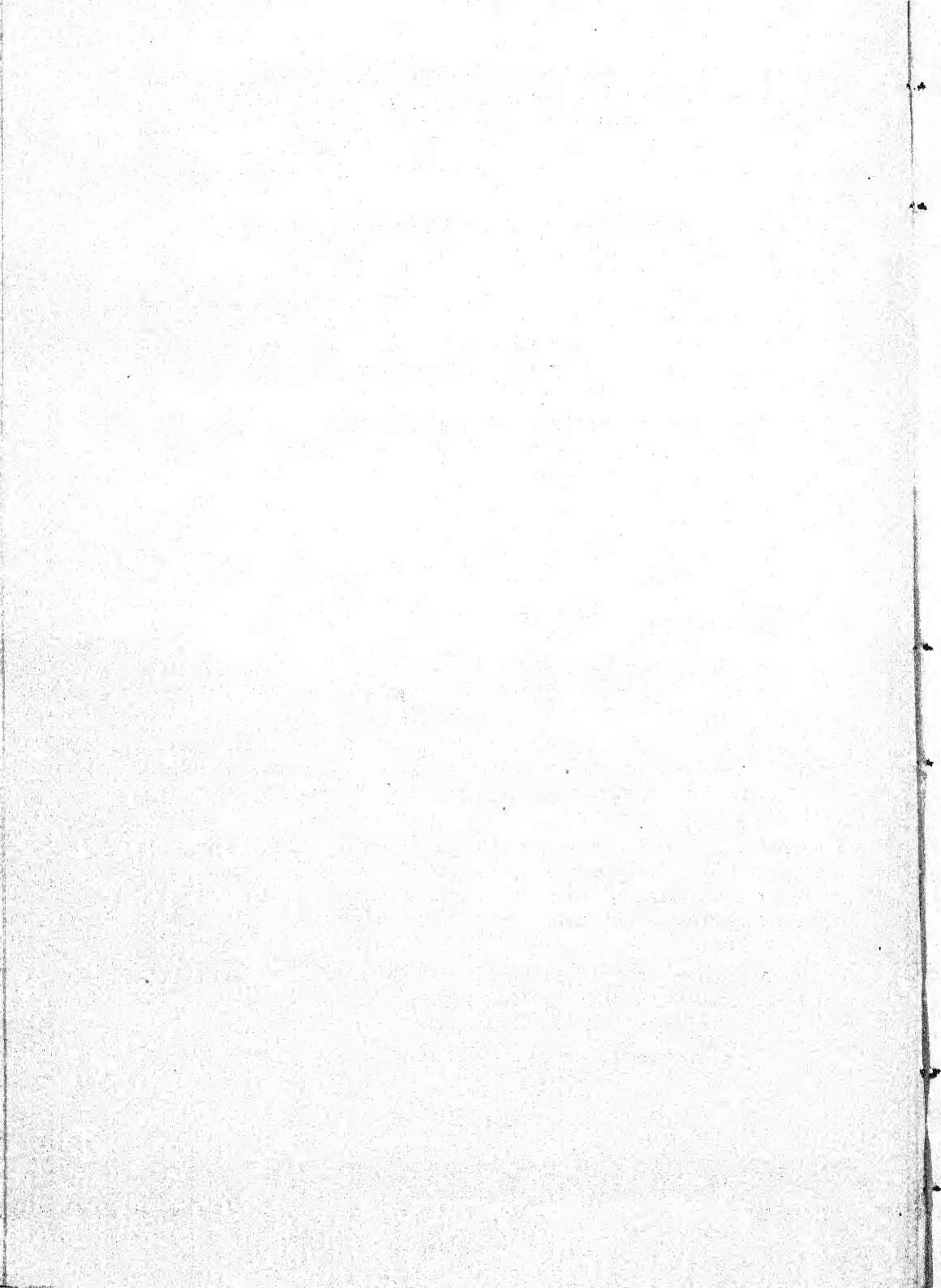
Paragraph 53 ibid.—The Committee was informed that a new procedure substituting accounts adjustments for cash payments had been introduced which had terminated the possibility of such frauds in future.

Paragraph 54 ibid.—It was pointed out by the Director-General that the transfer of Post Masters would not remedy the defect as they would still have to handle cash wherever they were posted. The suggestion would also involve more expenditure.

Paragraph 56 ibid.—The Committee was informed that the expenditure now incurred by the Department was estimated at about Rs. 11,200 a year and that the recovery made from the Company amounted to Rs. 10,000, and that the Department was taking steps to reduce expenditure and thereby cover the deficit.

58. The Committee generally agreed with the observation of the Auditor General in paragraph 8 of his letter that the standard of financial discipline had not been sufficiently rigorous in the past.

59. The Committee then adjourned till 2-30 P.M.



Proceedings of the Eighth meeting of the Public Accounts Committee held on
Thursday, the 18th August 1932, at 2-30 P.M.

PRESENT :

The Hon'ble Sir ALAN PARSONS, *Chairman*.

Sardar SANT SINGH.

Mr. B. DAS.

Mr. ABDUL MATIN CHAUDHURY.

Mr. MUHAMMAD ANWAR-UL-AZIM.

Maulvi Sir MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Dr. R. D. DALAL.

Rao Bahadur M. C. RAJAH.

Mr. T. N. RAMAKRISHNA REDDI.

Kunwer HAJEE ISMAIEL ALIKHAN.

Mr. S. C. MITRA.

Members.

Sir ERNEST BURDON, Auditor General.

Mr. JAGAT PRASAD, Accountant General, Posts and
Telegraphs.

The Hon'ble Mr. J. B. TAYLOR, Financial Secretary.

Mr. T. RYAN, Director-General of Posts and Telegraphs.

Mr. F. T. DE MONTE, Chief Engineer, Posts and Telegraphs.

Mr. M. R. COBURN, Financial Adviser, Posts and Telegraphs.

Were also present.

Witnesses.

60. The Committee decided to recommend that the excess of Rs. 5,37,109 in Grant No. 23 be regularized by a vote of the Legislative Assembly.

61. The Committee discussed with the departmental representatives the suggestion of the Accountant General that the quantity of stock held was unduly high. It was explained by the Director-General that the stock balances, which amounted to Rs. 254 lakhs in 1923-24, had been reduced to Rs. 136 lakhs in 1925-26, the year in which the accounts of the department were placed on a commercial basis, and that the process of reduction had continued with the result that the opening balance in the current year was only 40.6 lakhs. The minimum balance required on the basis of three months' consumption in the case of stores obtainable locally and six months' consumption in the case of other stores was about Rs. 22 lakhs and the Department hoped to end the year with an estimated balance of Rs. 26 lakhs excluding surplus and obsolete stores. At the instance of the Committee, the Director-General undertook to examine the possibility of reducing the working balance to the value of two months' consumption in the case of articles obtainable locally.

As regards surplus and obsolete stores, steps were being taken to dispose of them as far as possible. The Accountant General undertook, at the request of the Committee, to show this class of stores separately in his Report in future.

62. *Indo-European Telegraph Department.*—The Auditor General drew the attention of the Committee to paragraph 115 of the Report of the Accountant General where a sum of Rs. 7,30,955 had been shown as recoverable from Persia on account of the lines made over to it from the 1st March 1931. This included a sum of Rs. 2,69,586 on account of the Kerman Bunder Abbas line. The Auditor, Indian Home Accounts, in paragraph 14 of his report on the accounts of the Secretary of State had stated that the claim for this amount had been abandoned and that it had been decided to refund to the Foreign Office the advance made by that Department towards the cost of construction of this line. The Director-General informed the Committee that he had asked for full information from the India Office in regard to the refund of the advance and why the whole loss had been imposed on India. If the reply received from the India Office showed that according to the terms of the arrangement, originally entered into between the Government of India and His Majesty's Government, the refund to the Foreign Office was in order, the matter would be reported to the Committee through the Quarterly Statement of outstandings.

63. The Committee examined the accounts of the Indian State Broadcasting Service, which appeared for the first time in the Appendix relating to commercial concerns. The financial results were conspicuously unfavourable and the Committee was informed by the Director-General that it was expected that the position would improve to a certain extent by the heavy customs duties that had been imposed on wireless sets and that other measures were under examination for increasing the receipts from listeners' licence fees which should constitute the principal revenue from this Service so as to make it self-supporting.

64. The Committee then adjourned till 11 A.M. on Friday, the 19th August 1932.

Proceedings of the Ninth meeting of the Public Accounts Committee held on
Friday, the 19th August 1932, at 11 A.M.

PRESENT :

The Hon'ble Sir ALAN PARSONS, *Chairman*.

Sardar SANT SINGH.

Mr. B. DAS.

Mr. ABDUL MATIN CHAUDHURY.

Mr. MUHAMMAD ANWAR-UL-AZIM.

Maulvi Sir MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Dr. R. D. DALAL.

Rao Bahadur M. C. RAJAH.

Kunwer Hajee ISMAEL ALIKHAN.

Mr. S. C. MITRA.

} *Members.*

Sir ERNEST BURDON, Auditor General.

Mr. JAGAT PRASAD, Accountant General, Posts and
Telegraphs. } *Were also*
present.

The Hon'ble Mr. J. B. TAYLOR, Financial Secretary.

Mr. T. RYAN, Director-General, Posts and Telegraphs.

Mr. M. R. COBURN, Financial Adviser, Posts and
Telegraphs. } *Witnesses.*

APPENDIX XXVI.—*Recommendations of Posts and Telegraphs Accounts
Enquiry Committee.*

65. The Auditor General informed the Committee that he had not been previously consulted and had not had time to examine the Appendix which he had just received and sent down to his Delhi office for scrutiny. He suggested that if the Department furnished him with a complete summary of the recommendations of the Posts and Telegraphs Accounts Enquiry Committee and the proposals of Government in regard to each of these recommendations, he would endeavour to give his considered views on all the points before the Committee met to discuss the Appendix. The Committee accepted the suggestion and the representatives of the Posts and Telegraphs Department undertook to furnish the Auditor General with the information required.

66. The Director-General explained that the statement in the Appendix regarding the acceptance by the Government of India of certain recommendations of the Committee referred to recommendations relating to accounts matters. There were also certain recommendations on a few other matters which were under examination and had not yet been finally accepted.

67. The Committee accepted the suggestion of the Chairman that its report should be submitted in two parts, one to be placed before the Assembly at the ensuing Session embodying the results of the examination of the Accounts other than those relating to Railways, and the other to be placed before the

Assembly at a later Session dealing with the Railway Appropriation Accounts, etc. The Chairman informed the Committee that he would consult the President in regard to this suggestion.

68. The Committee decided to meet on the 3rd September 1932* to deal with the draft report. It was agreed that the Military Accounts Committee should meet on the 1st September 1932† to pass its draft report.

69. The Financial Secretary formally reported to the Chairman and the Committee the decisions arrived at during the absence of the Chairman on the 17th August in regard to the Auditor General's suggestions in Appendix XXV relating to the Security Press at Nasik.

* The draft Report of the Public Accounts Committee was adopted by the Committee with certain modifications at its tenth meeting held on Saturday, the 3rd September 1932, at 12 noon.

† The draft Report of the Military Accounts Committee was adopted by that Committee with certain modifications at its sixth meeting held on Thursday, the 1st September 1932, at 12 noon.

VI.—APPENDICES.

APPENDIX I.

(SECOND QUARTERLY)

Statement showing action taken or proposed to be taken on recommendations, etc., made by the Public Accounts Committee.

Statement showing the action taken or proposed to be taken on recommendations, disposed of.

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
CIVIL (AUDITOR GENERAL).			
1	1928-29 .. 1929-30 ..	78 P .. 112 P.	That the Auditor General would make arrangements for preparing the <i>pro forma</i> accounts of the Experimental Fruit Farm at Quetta on a strictly Commercial basis.
2	1929-30 ..	22 R ..	That the Auditor General should bring to the notice of the Committee any cases in which he or his Principal Auditor may have reason to believe that sufficient action has not been taken on the suggestions in the Appropriation Accounts regardless of whether they have been specially commented on by the Committee or not.
3	1929-30 ..	26 R ..	(a) That it is difficult for the Committee to form conclusions from a mere enumeration of unclassified individual instances of financial irregularity in the Report of the Director of Railway Audit and that in order that they may be able to institute comparisons between the position on different Railways and also on the same Railway from year to year it is desirable to have a more classified report of irregularities. (b) That the Committee note with satisfaction that the Auditor General has undertaken to instruct Mr. A. C. Badenoch, Director of Railway Audit, to investigate, during his examination of the separated audit of Railway expenditure and receipts in the next cold weather, in what directions test audit could be usefully directed and how the form of presentation of results of test audit could be improved.
4	1929-30 ..	111 P ..	That the Auditor General would give a full note in 1932 on the question of the audit of Funds such as the Police Clothing and Police Equipment Funds in Baluchistan.
5	1929-30 ..	144 P ..	That the Auditor General would have the form of presentation of the more important cases of rejection of lower tenders in the Appropriation Accounts improved next year.
6	1929-30 ..	167 P ..	That the accounts of income and expenditure, etc., of the Marine Department in the Andamans should be drawn up by the Director of Commercial Audit in more detail in 1932.

etc., made by the Public Accounts Committee which have not been finally

Action taken or proposed to be taken.

It has not been possible to prepare the accounts on a strictly commercial basis for inclusion in the Appropriation Accounts for 1930-31. But a memorandum giving complete information on the subject has been circulated to the members of the Public Accounts Committee (*vide* Appendix X).

Noted.

(a) An attempt has been made in the Director of Railway Audit's Report on the Accounts for 1930-31 to follow the Committee's recommendations within the limitations imposed by the available material.

(b) Mr. Badenoch has submitted his report and it is now under consideration by the Auditor General.*

A note on the subject has been prepared and copies will be circulated to the members of the Committee along with this Statement (Appendix XIII).†

Instructions have been issued.

Noted.

* Report since circulated.

† Since circulated.

*Statement showing the action taken or proposed to be taken on recommendations,
disposed of*

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
			CIVIL (AUDITOR GENERAL)—<i>concl'd.</i>
7	1929-30 ..	172 P ..	That there should be a formal audit certificate inserted in the Appropriation Accounts of the Accountant General, Central Revenues, regarding the audit of transactions connected with the Debt Redemption Scheme.
8	1929-30 ..	192 P ..	That a short note be submitted to the Committee on the question of uniform insistence on production of railway receipts in respect of claims for conveyance of motor cars in all Departments.
9	1929-30 ..	197 P ..	That the Director of Railway Audit, Mr. Badenoch, should, during the next few months, conduct a scientific and methodical investigation into the suggestions made by the Auditor General regarding the separated audit of railway receipts and expenditure and that in the light of his investigations the question of the desirability of reverting to the combined system of audit and accounts on the Railway side should be reconsidered by the Committee.
			CIVIL (CENTRAL BOARD OF REVENUE).
10	1929-30 ..	101 P ..	(a) That the contract grant in respect of the head "Purchase and Repair of Boats" in Grant No. 16—Customs is fixed too high and that the matter should be looked into in connection with the Budget for 1932-33. (b) That punishment should be adequate in all cases of irregularities discovered.
11	1929-30 ..	105 P ..	That the Committee desire to have in future a more informative report giving up-to-date information regarding the salt-projects generally as a Commercial undertaking.
			CIVIL (COMMERCE).
12	1926-27 .. 1929-30 ..	62 R .. 119 P ..	That the Committee desire to be informed in 1932 of the progress of the case regarding the revision of the Ecclesiastical Rules.

etc., made by the Public Accounts Committee which have not been finally
—contd.

Action taken or proposed to be taken.

Noted. This is already covered by the "Note" below paragraph 51 (i) (vii) of Appendix 16 to the Audit Code—Second Edition.

The note is under preparation and will be circulated to the members of the Committee as soon as it is ready.*

Mr. Badenoch has submitted his report and it is now under consideration by the Auditor General.†

(a) The question could not be decided in connection with the Budget of 1932-33. The question of the abolition of the contract grant is under consideration.

(b) Instructions to Collectors of Customs have been issued.

Necessary instructions have been issued to the Commissioner, Northern India Salt Revenue, on the basis of the general instructions which the Government of India have issued (*vide* Serial No. 40).

The views of certain local Governments and Departments who were consulted on the draft of the revised Ecclesiastical Rules are still awaited. Those from whom replies are now due have been requested to expedite the submission of their views.

* Since circulated, *vide* Appendix XIX.

† Report since circulated.

*Statement showing the action taken or proposed to be taken on recommendations,
disposed of*

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
			CIVIL (COMMERCE)—concl'd.
13	1929-30 ..	121 P ..	<p>(a) That the position in regard to the Bengal Pilot Service should be adjusted as soon as possible so as to eliminate the deficit by retrenchments rather than by putting up the dues.</p> <p>(b) That the results should be closely watched so as to ensure that the necessary adjustments to secure a balance of receipts against expenditure should be made more promptly than had been done in the present case.</p> <p>(c) That interest on the Depreciation Reserve in connection with the Bengal Pilot Service account is allowed on the opening balance and not on the mean between the opening and the closing balances and that it is desirable to have a uniform practice in all Departments.</p>
14	1929-30 ..	123 P ..	<p>That the Commerce Department should devote particular attention to the preparation of estimates under the head "Payments to Railways and Steamship Companies in connection with the compilation and publication of Rail and River-borne Statistics" in Grant No. 62.</p> <p align="center">CIVIL (EDUCATION, HEALTH AND LANDS).</p>
15	1926-27 .. 1928-29 .. 1929-30 ..	49-50 R .. 109 P. 147 P.	<p>That a final conclusion should be reached very soon on the question of keeping cinchona accounts on a commercial basis in respect of the transactions of the Government of India and of the verification of stocks of cinchona bark at Mungpoo.</p>
16	1927-28 .. 1928-29 .. 1929-30 ..	53 R 18 (2) R. 21 (2) R and 148 P.	<p>That the surplus stock of quinine should be disposed of in some way so as either to bring money to the Government of India or to give benefit to the malaria-stricken population of India and that a note should be submitted to the Committee as to the prospects of early disposal of the surplus stock.</p>

etc., made by the Public Accounts Committee which have not been finally
—contd.

Action taken or proposed to be taken.

- (a) Certain economies have already been effected in the cost of the Bengal Pilot Service and a Sub-Committee of the Advisory Pilot Committee, Bengal, has been appointed to examine the possibilities of effecting further economies in the Service. On the recommendation of the Advisory Pilot Committee, Bengal, a temporary surcharge of 10 per cent. has also been levied on the rates of pilotage dues.
- (b) The Principal Officer, Mercantile Marine Department, Calcutta, has been asked to submit to the Commerce Department two preliminary Income and Expenditure Accounts based on six and nine months' actuals in October and January each year. He has also been asked to watch the receipts of the Service throughout the year and, if any appreciable fall in revenue is noticed, to report the fact immediately to the Government of India with his recommendations. The Commerce Department are also receiving from him for their information monthly figures of receipts during the current financial year together with the monthly figures during the corresponding periods of the preceding two years.
- (c) The Commerce Department have already issued orders to the Accounts Officer concerned to calculate interest on the mean between the opening and closing balances of the Depreciation Reserve Fund Account.

The recommendation has been noted.

The Government of India were awaiting a decision on the proposal for the introduction of a modified system of Commercial accounts in the Bengal Cinchona Department. The Bengal Government have dropped the proposal on account of the present financial stringency and the Government of India will now reach a decision in the matter at an early date.

The recommendation of the Committee was communicated to local Governments on the 12th February 1932. Replies are still awaited from some of the local Governments. As soon as they are complete, the matter will be considered and the note asked for by the Committee will be prepared and supplied.

Statement showing the action taken or proposed to be taken on recommendations disposed of

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
			CIVIL (EDUCATION, HEALTH AND LANDS)— <i>contd.</i>
17	1928-29 .. 1929-30 ..	78 P .. 112 P.	That the Committee desire to have each year a report in a simple form showing the results up-to-date and giving statistics indicating the economic progress in Baluchistan as a result of the continuance of the Experimental Fruit Farm at Quetta.
18	1929-30 ..	153 P ..	That a report on the results of retrenchment in the Mathematical Instrument Office at Calcutta should be submitted to the Committee in 1932.
19	1929-30 ..	155 P ..	(a) That the Committee desire to have for all Scientific Departments a report showing the latest results of the retrenchment programme. (b) That in general there should be provision for ensuring that grants made by Government are utilised for the purposes for which they are intended and that the special arrangement in regard to the Bose Research Institute should not be extended to other cases. (c) That the total cost of the Central Museum at Calcutta should be given in the Appropriation Accounts in future and that the Education, Health and Lands Department might either exclude special items entailing difficulty of allocation of cost between the Museum and the Scientific Departments concerned or explain the allocation by means of a foot-note.
20	1929-30 ..	156 P ..	That it is necessary to carry out an inspection of the stores accounts before the stores are finally disposed of and that this principle should have been observed in the case of the Stores of the X-Ray Institute, Dehra Dun.
21	1929-30 ..	157 P ..	That the approval of the Standing Finance Committee should have been obtained to the diversion of the provision approved for the specific purpose of repairs to the disinfecting barge, etc.

etc., made by the Public Accounts Committee which have not been finally
 —contd.

Action taken or proposed to be taken.

Necessary instructions have been issued.*

Copies of the report will be circulated among the members of the Committee along with this Statement (Appendix XVII).†

(a) Copies of the report will be circulated among the members of the Committee along with this Statement (Appendices XI and XVIII).†

(b) Noted.

(c) Under consideration.

The view of the Committee is accepted. The Stores accounts of the Institute were inspected by the Accountant General, Central Revenues, in August 1931, and another inspection had been carried out in March 1932 before stores of the Institute were disposed of by the end of the year 1931-32.

Noted for future guidance.

* Report since circulated, *vide* Appendix XXI.

† Reports since circulated.

Statement showing the action taken or proposed to be taken on recommendations disposed of

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
			CIVIL (EDUCATION, HEALTH AND LANDS)— concl'd.
22	1929-30 ..	158 P ..	That the main purpose of the Agricultural Institute, Pusa, is research, that its commercial activities are only ancillary to its research and educational activities and that the presentation of the accounts in a commercial form should not be pushed too far, but should be utilised so as to see that the loss is kept down as much as possible.
23	1929-30 ..	161 P ..	That the Public Accounts Committee desire to be furnished with a copy of the report to the Standing Finance Committee to be submitted by one of the members of that Committee deputed to visit the Andamans to go into the whole question of the timber business.
24	1929-30 ..	162 P ..	That the commercial accounts should be debited with royalty on timber extracted at rates similar to those recovered from contractors and that the charge should be reckoned at a fair standard rate.
			CIVIL (FINANCE).
25	1922-23 ..	33 R ..	That, as recommended by the Inchcape Committee, it is desirable to amend the leave rules which seem to be unnecessarily complicated.
	1929-30 ..	6 P ..	That a definite decision on this question ought to be taken in the course of the year 1932.
26	1923-24 .. 1925-26 .. 1926-27 ..	38 R .. 35 R .. 20 (2)	That the question of the treatment of losses of revenue due to fraud, defalcation, etc., as a form of expenditure, thereby bringing them to the notice of the Public Accounts Committee through the Appropriation Accounts, should be settled at an early date.
	1929-30 ..	8 P	That the Committee is informed that this matter has been very nearly settled and that the rules would shortly be issued.
27	1923-24 .. 1928-29 .. 1929-30 ..	43 R .. 7 P .. 9 P	That the question of recovery of public claims, etc., from the pay and pension of civil officers should be considered in relation to future entrants as a condition of their terms of service.

etc., made by the Public Accounts Committee which have not been finally
—contd.

Action taken or proposed to be taken.

The observations of the Committee have been brought to the notice of the Director, Imperial Institute of Agricultural Research, Pusa.

A copy of the report in question was supplied to the members of the Committee along with the First Quarterly Statement.

The question is under consideration in connection with the report of the Director of Commercial Audit on the accounts of the Andamans Forest Department and the Chief Commissioner, Andamans, has been asked to state what rate would in his opinion be a fair standard rate at which royalty could be debited to these accounts.

The draft revised rules and the scope of their application are still under the consideration of the Government of India.

The rules on the subject have been accepted by all the Provincial Governments and have been referred to the Auditor General with a view to his indicating the changes in the Finance and Revenue Accounts before the Secretary of State is addressed.

The Officer on Special Duty, who has been appointed by the Home Department to deal with the pay of future recruits to all-India and Class I and Class II Services, is examining the question.

*Statement showing the action taken or proposed to be taken on recommendations,
disposed of*

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
CIVIL (FINANCE)— <i>contd.</i>			
28	1926-27 .. 1927-28 .. 1928-29 .. 1929-30 ..	60 R .. 126 P 18 (3) R 19 R and 160 P	That the question of establishing a combined audit and accounts office for the Andamans ought not to be regarded as permanently dropped, but that even in the present financial stringency it is desirable from the point of view of financial control that an effort should be made to improve the present position by considering the economical proposal of the Auditor General to depute a trained Assistant Accounts Officer to the Andamans.
29	1929-30 ..	8 R ..	That the Assembly should assent to the excess grants mentioned by the Committee.
30	1929-30 ..	10 R ..	(i) That proposals for retrenchment in connection with the Commercial Audit Department should be so adapted as to ensure that the continuance of the very useful work hitherto done by the Department in the matter of the introduction of proper commercial accounts in all the commercial concerns of Government and of the careful watching of results in these concerns is not jeopardised. (ii) That the Appendix to the Appropriation Accounts of the Central Government (Civil) relating to the commercial concerns of that Government should be continued in its present improved form, which should further be supplemented by a more up-to-date summary of the working results of these concerns, such as that compiled and presented by the Director of Commercial Audit in 1931.
31	1929-30 ..	20 R ..	That, in future, when any transactions, which are the subject of recommendations by the Public Accounts Committee, are concluded, the final result should invariably be reported to the Committee at the earliest available opportunity.
32	1929-30 ..	21 R ..	That the Finance Department has yet to evolve an entirely satisfactory machinery to expedite and co-ordinate departmental action on the Committee's recommendations and that each Department should delegate the duty of scrutinising the Committee's Report to one of its responsible officers and that such officer should be in close touch with the Secretary of the Public Accounts Committee throughout the year.

etc., made by the Public Accounts Committee which have not been finally
 —contd.

Action taken or proposed to be taken.

The Chief Commissioner, Andaman and Nicobar Islands, who was addressed, has agreed to the proposal and the matter has now been referred to the Auditor General. His reply is awaited.

The Assembly sanctioned the excess grants at their meeting of the 17th February 1932.

- (i) and (ii) The Commercial Audit Department has since been decentralised. The Accountant General, Central Revenues, who will, with effect from the accounts for the year 1931-32, compile the Appendix to the Central (Civil) Appropriation Report, will endeavour to meet the wishes of the Committee as far as possible. With a view to enable him to do so necessary instructions have been issued to all concerned.

Accepted. The Departments, etc., have been asked to note this recommendation carefully for future guidance.

The duty of scrutinizing the Committee's Report has been delegated in each Department to one of its responsible officers. Close touch is also maintained between the Secretary to the Public Accounts Committee and the Departmental Officers.

Statement showing the action taken or proposed to be taken on recommendations, disposed of

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
CIVIL (FINANCE)— <i>contd.</i>			
33	1929-30 ..	21 (1) R ..	That the recommendations made by the previous Public Accounts Committees, which are awaiting consideration in connection with the impending constitutional changes, should be noted in a Special Appendix for necessary action at the proper time and that the Appendix need not be printed or circulated to the Committee in future.
34	1929-30 ..	22 R ..	That the fulfilment of the essential purpose of Appropriation Accounts, namely, the study of those Accounts by Administrative officers with a view to their applying the lessons drawn therefrom to their future administration of public funds without relying on Audit or the Public Accounts Committee to call their attention to irregularities, should be watched by the Finance Department.
	1929-30 ..	177 P ..	That it is important that the Finance Department should ensure proper attention being paid by all Departments of Government to the various recommendations and suggestions in the main report of the Committee or in its proceedings, or in the Auditor General's letter or in the Appropriation Accounts of the Principal Auditor.
35	1929-30 ..	31 R ..	That the Military Accounts Committee should, in future, consist of the Hon'ble the Finance Member, as Chairman, the Financial Secretary and three non-official members nominated by the Public Accounts Committee from among themselves.
36	1929-30 ..	33 R ..	That the Committee endorse the comments and observations in paragraphs 20—22 of the Appendix of the Director of Commercial Audit for 1929-30 regarding control over stores and stocks, which (paragraphs) should be circulated to all Departments of Government.

etc., made by the Public Accounts Committee which have not been finally
—contd.

Action taken or proposed to be taken.

The recommendations have been noted in a special Appendix and relevant extracts therefrom have been furnished to the Departments concerned for necessary action at the proper time.

Noted. The Departments of the Government of India and other authorities concerned have been asked to take the necessary action.

The recommendation has been accepted and the Military Accounts Committee has been re-constituted accordingly.

Accepted and necessary action taken.

*Statement showing the action taken or proposed to be taken on recommendations,
disposed of*

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
CIVIL (FINANCE)— <i>contd.</i>			
37	1929-30 ..	35 R ..	That the examination of the financial prospects of projects for which the Government of India are asked to advance loans either to the Provincial Governments or to Indian States must be regarded as one of the most vitally important duties of that Government and that the ultimate responsibility in this respect must rest with the Finance Department which should be properly organised to discharge it and should receive the co-operation of all other Departments in doing so.
38	1929-30 ..	54 P .. (Also see 43 P of 1928-29).	That the Committee desire to have a memorandum on the question whether Railways are charged for any overdrafts on general revenues on current account and whether the relations between the Railways and Government as a client and banker, respectively, are on a proper basis.
39	1929-30 ..	104 P ..	That the question that major portion of the expenditure on the Security Printing Press does not come under the vote of the Assembly is under investigation by the Finance Department on the strength of a recommendation made by the General Purposes Sub-Committee.
40	1929-30 ..	105 P ..	That necessary instructions to all Commercial Departments in the matter of a more informative report giving up-to-date information regarding commercial undertakings should be issued.
41	1929-30 ..	122 P ..	That only those modifications of Grants which are not within the competence of the Commerce Department to sanction should in future be communicated through the Finance Department and that copies of sanctions endorsed by the Finance Department after the close of the year should not be treated as amounting to sanctions by that Department.

etc., made by the Public Accounts Committee which have not been finally
—contd.

Action taken or proposed to be taken.

Noted. The item has also been entered in the Special Appendix of recommendations awaiting consideration in connection with the impending constitutional changes.

The memorandum is under preparation.*

The gross expenditure of the Security Printing Press is, with effect from the Demands for Grants for 1932-33, being submitted to the vote of the Legislative Assembly.

Instructions have been issued. Advance copies of the 'reviews' on the financial aspect of the working of the various Government Commercial concerns during 1931-32 (with the audit comments thereon) will be placed before the Committee at their next meeting.†

Accepted and action taken. Modifications have been exhibited accordingly in the Appropriation Report of the Accountant General, Central Revenues, for 1930-31.

*Since prepared and circulated *vide*, Appendix XX.

†Done.

Statement showing the action taken or proposed to be taken on recommendations, disposed of

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
CIVIL (FINANCE)—conclâ.			
42	1929-30 ..	142 P ..	That the draft rules to guide the departmental officers of the Central Government in the United Provinces in the matter of execution of petty and minor works and of repairs to departmental buildings, originally drawn up by the Finance Department, are not acceptable to the Public Works Department and that the Auditor General has undertaken to assist in redrafting the rules so as to reconcile the requirements of audit and the position which in practice the Public Works Department occupy at present.
43	1929-30 ..	168 P ..	That the estimates under the sub-head "Postage and Telegrams" in Grant No. 27—Staff, Household and Allowances of the Governor General might be specially scrutinised in connection with the Budget for 1932-33.
44	1929-30 ..	173 P ..	That the Budget Officer might go into the question of devising some detailed procedure in order to make effective in practice any lump sum deduction which it might be decided to make from a grant or appropriation.
45	1929-30 ..	198 P ..	That a copy of the Auditor General's Memorandum relating to expenditure on Railway Audit and Accounts (Appendix XXVII) with an extract of the Committee's recommendations should be sent to the Chairman of the Railway Retrenchment Sub-Committee for his views.
CIVIL (FOREIGN & POLITICAL).			
46	1928-29 .. 1929-30 ..	76 P .. 110 P ..	That the Committee desire to be informed in 1932 whether the arrangements made for framing more reliable estimates of expenditure on account of the training of N.-W. F. Province students at the King Edward Medical College, Lahore, and Medical School, Amritsar, have had the desired result.
CIVIL (HOME).			
47	1929-30 ..	166 P ..	That a wider enquiry should be made to try and find possible competition in rates at the time of the renewal of the charter of vessels (case of the S.S. "Maharaja").

etc., made by the Public Accounts Committee which have not been finally
—contd.

Action taken or proposed to be taken.

It has been decided that, except repairs and petty works costing less than Rs. 2,500, which may be executed through departmental agency, all other civil works should be executed through the Public Works Department.

Necessary action taken.

Noted. With the co-operation of the departments of the Government of India an attempt is being made in connection with the budget grants for 1932-33 to distribute the lump sum deductions by sub-heads, wherever possible.

The documents in question were sent to Mr. Shanmukham Chetty. He expressed his views in the Assembly on the 25th February 1932 during the discussion of the Report of the Public Accounts Committee on the accounts of 1929-30.

The arrangements for framing reliable estimates of expenditure were made in May 1931. As the North-West Frontier Province is now a Governor's Province, the expenditure under "Medical" will be a 'Provincial' charge and will not come under the purview of the Central Government in future.

The Charter-party of the S.S. "Maharaja" will terminate in September 1935 and that of the S.S. "Shahjehan" in June 1933. The necessary enquiry will be made in advance of the expiry of the Charter-parties.

*Statement showing the action taken or proposed to be taken on recommendations,
disposed of*

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
CIVIL (INDUSTRIES AND LABOUR).			
48	1925-26 .. 1927-28 .. 1928-29 .. 1929-30 ..	20-22 R .. 43 R .. 17 R and 139 P. 16 R and 131 and 135 P.	(a) That the Committee would wait for a full report in 1932, on the question of making the Indian Stores Department self-supporting, in the light of the recommendations of the Stores Retrenchment Sub-Committee which is investigating the whole question of the present and future position of the Department. (b) That this full report should be accompanied by a statement showing the financial position of the commercial and non-commercial activities of the Department separately and that for this purpose the Chief Controller's Note on the separate exhibition of expenditure on these activities furnished to the Committee in 1931 (Appendix XXIV) should be carefully examined by the Finance Department in consultation with the Auditor General.
49	1927-28 .. 1929-30 ..	81 P .. 136 P	That the question of the appointment of a Committee of the Legislature to deal with the allotment, etc., of residences to Members in Simla should be referred again to the Legislative Assembly and the Legislative Departments for reconsideration with a view to ensuring proper attention to the convenience of the Members.
50	1929-30 ..	34 P and 170 P	(a) That Government ought to consider making some systematic investigation of the whole position regarding the proper administration of Government properties and the necessity of watching the utilization of Government buildings to the best advantage. (b) That the question of the proper utilisation of Viceregal Lodge and other Government properties in Old Delhi should be considered by the Government.
51	1929-30 ..	125 P ..	That the discrepancy between the two figures representing examination fees be cleared up and that similar discrepancies should always be reconciled before the stage for examination by the Public Accounts Committee is reached.
52	1929-30 ..	126 P ...	That the Committee desire to have a note on the question of the adequacy of the representation of the Assembly on the Governing Body of the Indian School of Mines.

etc., made by the Public Accounts Committee which have not been finally contd.

Action taken or proposed to be taken.

- (a) The required report will be presented to the Committee in due course.
- (b) The basis of allocation of the various items of expenditure over the Commercial and Non-Commercial activities of the Indian Stores Department has been settled and a provisional statement showing the financial position of the department for 1931-32 has been incorporated in the annual Administration Report for 1931-32.

The Hon'ble the President, Legislative Assembly, has already constituted a Committee such as is contemplated, to look after the convenience and comforts of the Members of the Legislative Assembly. As regards the Members of the Council of State, the Legislative Department has considered the question and has decided to continue the present arrangement under which the Members of the Council of State are allotted residential accommodation.

- (a) A detailed enquiry would involve considerable expenditure which the Government of India are anxious to avoid at present. The desirability of ensuring the proper utilization of their properties is, however, admitted and the Government of India when they are in a position to do so will take such steps as may be possible to achieve this end.
- (b) The matter has been considered and every effort will be made to ensure that these buildings are utilized to the best advantage.

The particular discrepancy mentioned was brought to the notice of the Accounts Officer and the Accountant General, Central Revenues, has accepted the figure of Rs. 7,353 as substantially correct. Necessary instructions regarding timely reconciliation of such discrepancies have been issued to Departments and others concerned.

The note has already been circulated among the members of the Committee who signed the Report for 1929-30 and printed copies of it (Appendix XII) will be circulated* again along with this statement.

* Since circulated.

Statement showing the action taken or proposed to be taken on recommendations disposed of

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
			CIVIL (INDUSTRIES AND LABOUR)— <i>concl'd.</i>
53	1929-30 ..	127 P ..	That the proposal to move the Central Publication Branch into the empty Press buildings in Old Delhi should be urgently examined.
54	1929-30 ..	139 P ..	That the Stores Retrenchment Sub-Committee should pursue thoroughly the question of the adequacy of the rate of commission charged by the Indian Stores Department for the purchase and inspection of stores.
55	1929-30 ..	140 P ..	That in connection with the question of reducing the strength of the London Stores Department and making it an agency of the Indian Stores Department the Committee would await the Report of the Small Committee appointed by the High Commissioner before it considers the future of the London Stores Department.
56	1929-30 ..	143 P ..	That there should be a speedy disposal of surplus stores (Grant No. 95-Delhi Capital Outlay).
57	1929-30 ..	154 P ..	(a) That in connection with the general question of the printing of publications in excess of requirements, a comprehensive note should be prepared showing how far estimates of the number fixed for publication have proved accurate and whether in any case there have been big surpluses and what action has been taken in regard to them. (b) That an enquiry should be made as to whether there is a complete list of all Government publications and that the cover of the volume of Assembly Debates should be used as an advertising medium for Government publications.
			MILITARY.
58	1926-27 ..	38 R ..	That the Committee would like to know the result of the negotiations between the Government of India and the War Office in connection with the various claims by the Imperial Government against Indian revenues mainly in respect of liabilities arising out of the War.

etc., made by the Public Accounts Committee which have not been finally
 —contd.

Action taken or proposed to be taken.

The proposal has been considered and orders sanctioning the transfer of the Central Publication Branch to Delhi will be issued shortly.

The attention of the Stores Retrenchment Sub-Committee has already been drawn to this matter.

The subject of reduction in the High Commissioner's Stores Department is at present under examination. A note will be presented to the Committee when that examination has been completed.*

Every endeavour is being made to reduce the stock of surplus stores as quickly as possible.

(a) and (b) The matter is under consideration.

The negotiations have been completed and on the basis of a "No payment" settlement of all claims and counter-claims arising out of the War, sanction of Parliament has been obtained for the payment of £ 13,600,000 made by India to the Imperial Government in 1918-19, as a further contribution towards the expenses of the War. A press *communiqué* on the subject was issued in India on the 2nd July 1932 for the information of the public.

* Note since presented, *vide* Appendix XXIII.

Statement showing the action taken or proposed to be taken on recommendations,
disposed of

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
			MILITARY— <i>contd.</i>
59	1928-29 ..	15 R ..	That the Committee would await the result of the joint examination of the question of improving the Trading Accounts of manufacturing establishments on the Military side, by the Directors of Army and Commercial Audit, which the Auditor General had promised to arrange.
	1929-30 ..	15 R ..	(i) That the Committee before making any specific recommendations on the question of "Trading Accounts" on the Military side prefer to obtain the views of the Military Authorities and the Military Accounts Committee on the Memorandum furnished by the Director of Army Audit (Annexure A to Appendix XVIII) showing the results of the Joint examination by him and the Director of Commercial Audit of the question of the necessity for preparation and publication of "Trading Accounts" for the Army, Ordnance and Clothing Factories and for other manufacturing or producing concerns of the Army; (ii) That the Committee endorse the observation of the Military Accounts Committee that, from the point of view of the Government and the tax-payer, it is of vital importance to ensure that the actual cost of production of articles manufactured by Government concerns is reasonable.
60	1928-29 .. 1929-30 ..	28 R .. 184 P and paras. 3 (V) and 8 of M. A. C. Proceedings—Appendix XVIII.	(a) That in future the Director of Army Audit should continue to carry out a concurrent audit of the expenditure on special programme measures. (b) That a statement should be obtained every year from the Chief of the General Staff regarding the sufficiency of the resources available for the completion of the special programme measures.
61	1929-30 ..	24 R ..	That, subject to certain changes, the Appropriation Accounts of the Army, Marine and Military Engineer Services should continue to be prepared in the same improved form as those for the year 1929-30.

etc., made by the Public Accounts Committee which have not been finally
—contd.

Action taken or proposed to be taken.

The Memorandum prepared by the Director of Army Audit and his further suggestions on the subject have been examined by the Military authorities and the Military Accountant General, and their observations are under examination by the Financial Adviser, Military Finance.

- (a) Every endeavour is made to supply the Director of Army Audit with information to enable him to carry out a concurrent audit.
- (b) The Committee's recommendation has been noted.

The Committee's recommendation has been noted.

*Statement showing the action taken or proposed to be taken on recommendations,
disposed of*

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
			MILITARY— <i>contd.</i>
62	1929-30 ..	32 R ..	<p>That, in connection with the question of the abolition of priced stores ledgers in Arsenal and other storage depots, the Committee approve of the proposals made by the Financial Adviser, Military Finance, namely:—</p> <p>(i) That the British practice of giving values of stocks for certain categories be followed;</p> <p>(ii) That a statement showing how the annual cash expenditure compares with consumption of stocks in respect of certain categories of stores be presented in connection with the annual budget estimates;</p> <p>(iii) That information regarding the effect and extent of price fluctuations during the year be included in that statement;</p> <p>(iv) That an informative statement indicating any important variations from normal holdings under different categories of stores be furnished in the Military Appropriation Accounts.</p>
63	1929-30 ..	182 P ..	That the question of the proper description of various items of losses shown in Appendix E of the Military Appropriation Accounts should be examined by the Master General of Ordnance in consultation with the Military Accounts Department.
64	1929-30 ..	183 P ..	That in future, following the British practice, a statement should be appended to the budget estimates showing the estimated normal cost per unit of the various arms of the Military Services under much fewer detailed headings than at present.
65	1929-30 ..	186 P ..	That Military authorities should define more exactly the scope of the original demand for Military works than at present and conform in their expenditure more closely to the scope of the original demand as so defined.

etc., made by the Public Accounts Committee which have not been finally
—contd.

Action taken or proposed to be taken.

Priced Store Accounts have now been abolished. The methods by which the information can be supplied have been examined and it has been agreed that the following information should be furnished in regard to certain specified classes and categories of stores :—

- (a) The value of stock ;
 - (b) A comparison between the annual cash expenditure and consumption of stores and also the extent to which fluctuations in prices had affected expenditure during the year ; and
 - (c) Any important variations from normal holdings under different categories of stores.
- (a) and (b) will be published in the Annual Budget Estimates and (c) in the Appropriation Accounts.

Action has been taken to fulfil the requirements of the Committee as will be seen from Appendix E published with the Military Appropriation Accounts for 1930-31, copies of which have been supplied to the members of the Committee.

A statement has been included in the Budget Estimates for 1932-33 showing the normal cost of certain selected types of units.

The recommendation of the Committee has been noted.

Statement showing the action taken or proposed to be taken on recommendations, disposed of

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
			MILITARY— <i>concl'd.</i>
66	1929-30 ..	188 P ..	That the Government of India should do their utmost to press His Majesty's Government to bring about a speedy settlement of the question regarding Capitation payments made from Indian Revenues to Departments of the Imperial Government for services arising out of the maintenance of British troops on the Indian Establishment.
			POSTS AND TELEGRAPHS.
67	1927-28 .. 1929-30.	25 R .. 23 P.	That the settlement of claims of the Posts and Telegraphs Department against Railway and Canal Administrations on account of rentals of telegraph and telephone wires, etc., should be expedited and that a final report should be available to the Committee in 1932.
68	1928-29 ..	20 P ..	That a comparative statement should be given in future showing the losses to the Posts and Telegraphs Department on account of fraud, embezzlement, etc., for ten consecutive years.
	1929-30 ..	25 P ..	That no particular conclusion can be drawn from the figures in the Table showing analysis of frauds by classes of employees, etc., given in the Appropriation Accounts of the Posts and Telegraphs Department for 1929-30 and that the Committee desire to have similar Tables regularly in future.
69	1928-29 .. 1929-30.	22 P .. 37 P.	That the Accountant General, Posts and Telegraphs, should make a more detailed report in his Appropriation Accounts for 1930-31 on the cost of establishment employed on works under the Posts and Telegraphs Department and analyse more fully the details of the expenditure working up to the total cost.
70	1929-30 ..	34 R ..	That, as a matter of principle, the Posts and Telegraphs Department should be self-supporting and that whatever steps are necessary to bring this about should be taken, and further that the efforts in this direction should not be relaxed until this result has been achieved.

etc., made by the Public Accounts Committee which have not been finally
—contd.

Action taken or proposed to be taken.

The views of the Committee have been brought to the notice of the Secretary of State for India. The question will be examined by a Tribunal in England shortly.

The claims of the Posts and Telegraphs Department against the Canal Administration have been settled and those against the Railways are still under consideration of the Railway Board which has referred the matter to different Railway Administrations and is awaiting their replies.

In the Appropriation Accounts for 1930-31, copies of which have already been supplied to the members of the Committee, the Accountant General, Posts and Telegraphs, has furnished a comparative statement showing losses sustained by the Posts and Telegraphs Department on account of frauds, etc., for the last four years. He has already been asked to give a similar statement in the Appropriation Accounts of future years.

A memorandum on the subject will be placed before the Public Accounts Committee at its next meeting.*

This recommendation of the Committee has been noted.

* Done, *vide* Appendix XXII.

Statement showing the action taken or proposed to be taken on recommendations, disposed of

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
POSTS AND TELEGRAPHS— <i>concl.</i>			
71	1929-30 ..	15 P ..	That it is not necessary for Government to consult the Public Accounts Committee in regard to such of the recommendations of the Posts and Telegraphs Accounts Enquiry Committee as are accepted by Government, but that in cases where they feel unable to accept any recommendations, the Public Accounts Committee should be given an opportunity of considering the points involved and recording its views.
72	1929-30 ..	29 P ..	That the suggestion that the compilations by the officers of the Posts and Telegraphs Department might be improved by the appointment of trained Accountants should be further examined by the Department in consultation with the Financial Adviser and the Accountant General, Posts and Telegraphs.
73	1929-30 ..	33 P ..	That steps should be taken for the proper recovery of rent from officials in the Posts and Telegraphs Department before the end of the year.
RAILWAYS.			
74	1926-27 .. 1929-30 ..	76 R .. 43 P.	That a report on the actual working of the new rules for the maintenance of priced stores lists of Railways should be submitted to the Committee in 1932.
75	1926-27 .. 1928-29 .. 1929-30 ..	77 R .. 39 P. 44 P.	That the Committee desire to be informed in 1932 about the progress of the scheme for the introduction of piece-work system on Railways recommended by the State Railway Workshops Committee.

etc., made by the Public Accounts Committee which have not been finally
 —contd.

Action taken or proposed to be taken.

The Report of the Posts and Telegraphs Accounts Enquiry Committee is still under the consideration of the Government of India, but it is expected that conclusions will have been arrived at on all the recommendations before the Public Accounts Committee next assembles. A memorandum will be prepared and circulated to the members of the Public Accounts Committee very shortly.*

The matter is under examination.

The principles laid down by the Posts and Telegraphs Sub-Committee of the Retrenchment Advisory Committee regarding recovery of rent from the officials of the Posts and Telegraphs Department occupying rent-free quarters have been accepted by the Government of India subject to certain conditions. The matter is being further investigated. The task of assessing the standard rentals of all buildings utilized wholly or partly for residential purposes in the Posts and Telegraphs Department has not yet been completed owing to difficulties experienced in obtaining accurate information regarding the values of sites and original costs of construction. Every effort is being made to complete the work and in the meantime orders have been issued for the recovery of rent from all officials occupying Government quarters at 10% of their emoluments except in those cases in which under existing orders of Government they are exempted from the payment of rent for such quarters. (*Cf.* second paragraph of Appendix III to the Appropriation Accounts of the Posts and Telegraphs Department for 1930-31).

As the new rules came into force with effect from 1st April 1932, it is considered that no useful report can be submitted within so short a period. The Railways are being asked for a report on the working of these rules for the year ending 31st March 1933 and the report called for by the Committee will be submitted in 1933. (*Cf.* paragraph 222 in Chapter IX of the Report on the Appropriation Accounts of Railways in India for 1930-31).

A memorandum on the subject has recently been circulated to the members of the Committee (*vide* Appendix VIII).

* Since circulated *vide* Appendix XXVI.

Statement showing the action taken or proposed to be taken on recommendations, disposed of

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
RAILWAYS— <i>contd.</i>			
76	1927-28 .. 1929-30 ..	27 R .. 47 P.	That the Committee desire to have a report in 1932 as to how the new scheme for checking and collecting tickets introduced on the East Indian Railway on the 1st June 1931 is working and what steps have been taken to introduce it on other Lines.
77	1927-28 .. 1928-29 .. 1929-30 ..	63 R .. 34 P. 48 P.	That the Committee hopes to get a report in 1932 about the issue of rules regulating the acquisition, custody and relinquishment of Railway lands and buildings.
78	1928-29 .. 1929-30 ..	14 R .. 11-14 R, 50, 92 and 93 P.	<p>(a) That the information supplied to the Committee by the Railway Department in 1931 in the shape of reports on the working of individual Railways and a note giving instructions as to how to interpret, and what points to look for in, Railway statistics (Appendix XXV) is inadequate in that the reports do not give figures later than 1929-30 and that there is no clear summary of the railway results for India as a whole, putting together a combined picture, calling attention to the salient points, making comparisons between one Railway and another and generally pointing to the lessons to be drawn from the points brought out: nor is there a general review of the progress of capital expenditure and of the results obtained from recent investments in railway extensions in which the Committee is specially interested.</p> <p>(b) (i) That the reports on the working of the individual Railway systems should be completed up to the end of the financial year preceding that in which the Committee meets, in the same way as the general review of the working of the Railways as a whole;</p> <p>(ii) That each of the reports on individual Railways should include, in addition to the information now given, a short summary note from each Agent expressing his views and conclusions drawn from the actual results recorded;</p>

etc., made by the Public Accounts Committee which have not been finally
—contd.

Action taken or proposed to be taken.

Steps are being taken to meet the wishes of the Committee. The report from the East Indian Railway on the working of the new scheme is awaited.

Orders relating to the acquisition of land for Railway purposes have already been issued. It is hoped that orders relating to the custody and relinquishment of lands and buildings will issue shortly.

(a) and (b). The Agents of Railways have been asked to prepare the reports on the working of individual Railways on the lines indicated by the Committee. On receipt of these reports, necessary steps will be taken to present the summary of the railway results for India as a whole as desired.

Statement showing the action taken or proposed to be taken on recommendations, disposed of

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
			RAILWAYS— <i>contd.</i>
			(iii) That the figures supplied by the Railway Board in this connection should in future be prepared on the same basis as the Statement attached to the Auditor General's letter.
			(c) That Balance sheets for Railways such as that presented to the Committee in 1931 (Appendix XVI) would afford a real basis of comparison for a series of years and should be continuously maintained.
79	1928-29 .. 1929-30 ..	18 (5) R .. 17-18 R.	(a) That, although practical experience alone would afford a true test of the efficiency of the new organisation for Stores Accounting on the East Indian Railway, there should not be any diminution of vigilance on the part of the Chief Accounts Officer and that continuity as well as efficiency of the staff employed in the Stores Accounts Section of that Railway is a matter of great importance.
			(b) That the Agents of all Railways also should be addressed in regard to the important lessons regarding stores accounting afforded by the history of the East Indian Railway (<i>vide</i> paragraph 7 of Appendix XIX) and that they should be asked to make a special record of it.
80	1928-29 .. 1929-30 ..	5 P .. 53 P.	The question of the continuance of special rates and concessions for Military traffic obtained by the Military Department from the Railways be taken up by the Railway Board with the Military Authorities.
81	1928-29 .. 1929-30 ..	49 P .. 55 P.	That the Table of comparative figures of budget and revised estimates and actuals furnished in paragraph 30 of the Report of the Director of Railway Audit for 1929-30 should be continued with certain corrections suggested by the Financial Commissioner.
82	1928-29 .. 1929-30 ..	50 P .. 56 P.	That the Financial Commissioner is examining the statistics of expenditure placed under objection and that in the Railway Appropriation Accounts for 1930-31 the items would be classified and those reflecting serious irregularities would be separately shown.

etc., made by the Public Accounts Committee which have not been finally
 —contd.

Action taken or proposed to be taken.

(c) The Balance sheets for Railways will be presented as an Appendix to the Railway Appropriation Accounts for 1930-31 (Cf. para. 222 in Chapter IX of the Report on the Appropriation Accounts of Railways in India for 1930-31).

(a) The wishes of the Committee have been noted. Monthly reports from the Chief Accounts Officer, East Indian Railway, with the remarks of the Controller of Stores on the working of the revised procedure of stores accounting are being received and scrutinised by the Controller of Railway Accounts.

(b) This has already been done.

The question has been taken up with the Military Authorities, who are making an investigation. It is anticipated, however, that the investigation being of a detailed nature, it will be some months before anything is settled.

The required statement in an improved form has been given in the Appropriation Report for 1930-31.

An attempt has been made in the Appropriation Accounts for 1930-31 to meet the wishes of the Committee.

*Statement showing the action taken or proposed to be taken on recommendations,
disposed of*

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
RAILWAYS— <i>contd.</i>			
83	1928-29 .. 1929-30 ..	143 P .. 59 P.	That the Committee should be furnished with a report in 1932 in regard to the suggestion that printing work in the Railway Publicity Department is not fully given to the Government Presses and that information regarding Railway Publicity work done in other countries should be obtained.
84	1929-30 ..	25 R ..	(a) That in the Railway Appropriation Accounts there is no general picture of the financial results, no general survey of the state of financial administration, nor an analysis of the results of audit scrutiny conducted by the Railway Accounts Department as part of the internal check of Railway Accounts; and that the Committee endorse the remarks in paragraph 4 of Auditor General's letter (Appendix XXXII) about the functions and relative importance of the Railway Appropriation Accounts and the Report of the Director of Railway Audit. (b) That, in view of the Financial Commissioner's promise to bring his Appropriation Accounts into line with those prepared by the Military Financial Adviser, the Committee defer further comment until they have before them in 1932 the Appropriation Accounts in the improved form.
85	1929-30 ..	28 R ..	That so long as the cost of any individual traffic Survey on Railways is confined within reasonable limits the expenditure should not properly be considered a "new service" or a "new instrument of service" and that the vote of the Legislature may be held to be necessary for expenditure on individual Surveys exceeding the limit of Rs. 10,000.
86	1929-30 ..	29 R ..	(a) That the present occasion, when because of the financial position it has in any case become necessary to call a halt in Railway capital expenditure, affords a suitable opportunity for a comprehensive and thorough review of the whole position and that the examination of the policy for Capital expenditure in the light of the productivity of the large Capital expenditure incurred in recent years may properly fall within the functions of the Expert Committee recommended by the Railway Retrenchment Sub-Committee.

etc., made by the Public Accounts Committee which have not been finally
—contd.

Action taken or proposed to be taken.

Steps are being taken to meet the wishes of the Committee. A report will be prepared.

(a) and (b). The Committee's recommendations have been accepted and a review of the Appropriation Accounts for 1930-31 has been prepared, copies of which will be circulated among the members of the Committee along with this statement.

The Committee's recommendation has been accepted.

(a) and (b). The opinion of the Committee will be kept in view in framing the terms of reference to the Expert Committee.

Statement showing the action taken or proposed to be taken on recommendations, disposed of

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
RAILWAYS—contd.			
			(b) That if, and when, such an Expert Committee takes up the examination of the question it would be useful for them to carry back their investigation to a point earlier than the separation of Railway from general finances and to examine the results of all new Capital expenditure incurred since the War.
87	1929-30 ..	30 R ..	That it is desirable to get an accurate picture of the financial effects of electrification on various Railways and that the question of the allocation of expenditure between the electrification scheme and the other branches of the Railway should be scientifically studied by the Railway Board, which should find out from British Railways what they have done in similar circumstances and how they have calculated the financial results of their electrification schemes.
88	1929-30 ..	61(1) P ..	That the Director of Railway Audit should not be confronted with a challenge of his facts for the first time in the Public Accounts Committee and that his Report should contain an agreed statement of the facts in each case.
89	1929-30 ..	61(2) P ..	That it would be helpful and curtail unnecessary discussion if the Committee were furnished, before it began its meetings, with a statement from the Railway Department showing the action that had been taken in certain cases of irregularity mentioned in the Director's Report since its publication.
90	1929-30 ..	62 P ..	(a) That the Committee be informed when the Railway Department got the modified figures of number of cases and amounts of under-charges detected by the Audit Department and what steps it took to bring them to the notice of the Director of Railway Audit. (b) That a much fuller report be submitted to the Committee as soon as possible on the working of the system of a full check over invoices relating to goods.

etc., made by the Public Accounts Committee which have not been finally
—contd.

Action taken or proposed to be taken.

The Committee's recommendations are accepted. Information about the practice on British Railways is being obtained.

The Railway Department are in agreement with this view.

Steps will be taken to have a statement prepared and circulated before the next meeting of the Committee.

(a) and (b). Steps are being taken to supply the information and the report required by the Committee.

Statement showing the action taken or proposed to be taken on recommendations, disposed of

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
RAILWAYS— <i>contd.</i>			
91	1929-30 ..	64 P ..	That in giving the number of cases of short accounting and short collections in station cash offices it would be more useful if the Director of Railway Audit compared the results of several Railways and also the figures in each Railway with the total volume of transactions.
92	1929-30 ..	67 P ..	That the Director of Railway Audit should have stated whether the over-estimation under "Pay of Establishment" was reasonable and what steps had been taken to prevent such over-estimation and that his comments in future should be more informative.
93	1929-30 ..	69 P ..	That the Financial Commissioner, Railways, should report next year whether the circular letter condemning the method of irregularly increasing sanctioned establishments by utilising coolies, gangmen, etc., has had the desired effect and how the matter stands.
94	1929-30 ..	70 P ..	That the Committee should be informed in 1932 of the position regarding the safeguarding of the interests of Railway against companies working mineral rights under land acquired by Railways.
95	1929-30 ..	73 P ..	That the Financial Commissioner, Railways, should submit a detailed explanation in 1932 of the working of the procedure under which detailed estimates for sub-works are prepared against the general estimate and work is commenced on the sub-works against those estimates.
96	1929-30 ..	75 P ..	That the present practice of charging royalty to capital in the Government accounts be continued but that to obviate certain difficulty a reserve under revenue be created against which the capital charge may eventually be written off.
97	1929-30 ..	77 P ..	That the balances of stores on Railways should be kept at the minimum amount.

etc., made by the Public Accounts Committee which have not been finally
 —contd.

Action taken or proposed to be taken.

The Committee's recommendations have been noted and if information of the type contained in paragraph 84 of the Appropriation Report for 1929-30 is placed before the Committee, it will be presented in the form the Committee has suggested.

An attempt has been made in the Report for 1930-31 to make the comments on savings and excesses as informative as possible.

Steps are being taken in consultation with the Director of Railway Audit to meet the wishes of the Committee. He is investigating whether any such irregularities have been discovered in connection with the audit of 1931-32 accounts.

Necessary information is being collected and will be placed before the Committee at their next meeting.

Necessary information has been called for from Railway Administrations and is expected to be placed before the Committee at their next meeting.

It has been decided that the amount payable on account of royalty and the interest accruing on the amount already spent on the preliminary development of the Kedla Colliery should be charged to revenue.

The Railway Department fully agree with this view and have been impressing this on Railway Administrations from time to time.

Statement showing the action taken or proposed to be taken on recommendations, disposed of

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
			RAILWAYS—concl'd.
98	1929-30 ..	79 P ..	That a fuller statement be submitted by the Director of Railway Audit in his Report next year explaining why particular accounts in the Depreciation Fund are consistently overdrawn while balances under others are going up—giving figures for the classes of assets affected for several years.
99	1929-30 ..	80 P ..	That, pending receipt of the full facts of the case regarding the adjustment by the Bengal Nagpur Railway Company of certain rolling stock against capital which has resulted in a gain to the Company and a corresponding loss to Government, the Committee is unable to express a final opinion.
100	1929-30 ..	85 P ..	That the whole question of accounting of stores returned from works or divisions but not accounted for in the stores ledger be looked into carefully by the Financial Commissioner, Railways, and a report submitted in 1932.
			Vizagapatam Harbour Construction.
101	1929-30 ..	194 P ..	(a) That in case of every project a clear historical record should be compiled when the work is finally completed summarizing the lessons to be learnt as a guide for the future. (b) That the question of reducing the period during which interest charges on Capital outlay after the opening of the Vizagapatam Harbour would be charged to Capital might be considered.

etc., made by the Public Accounts Committee which have not been finally
—concl.

Action taken or proposed to be taken.

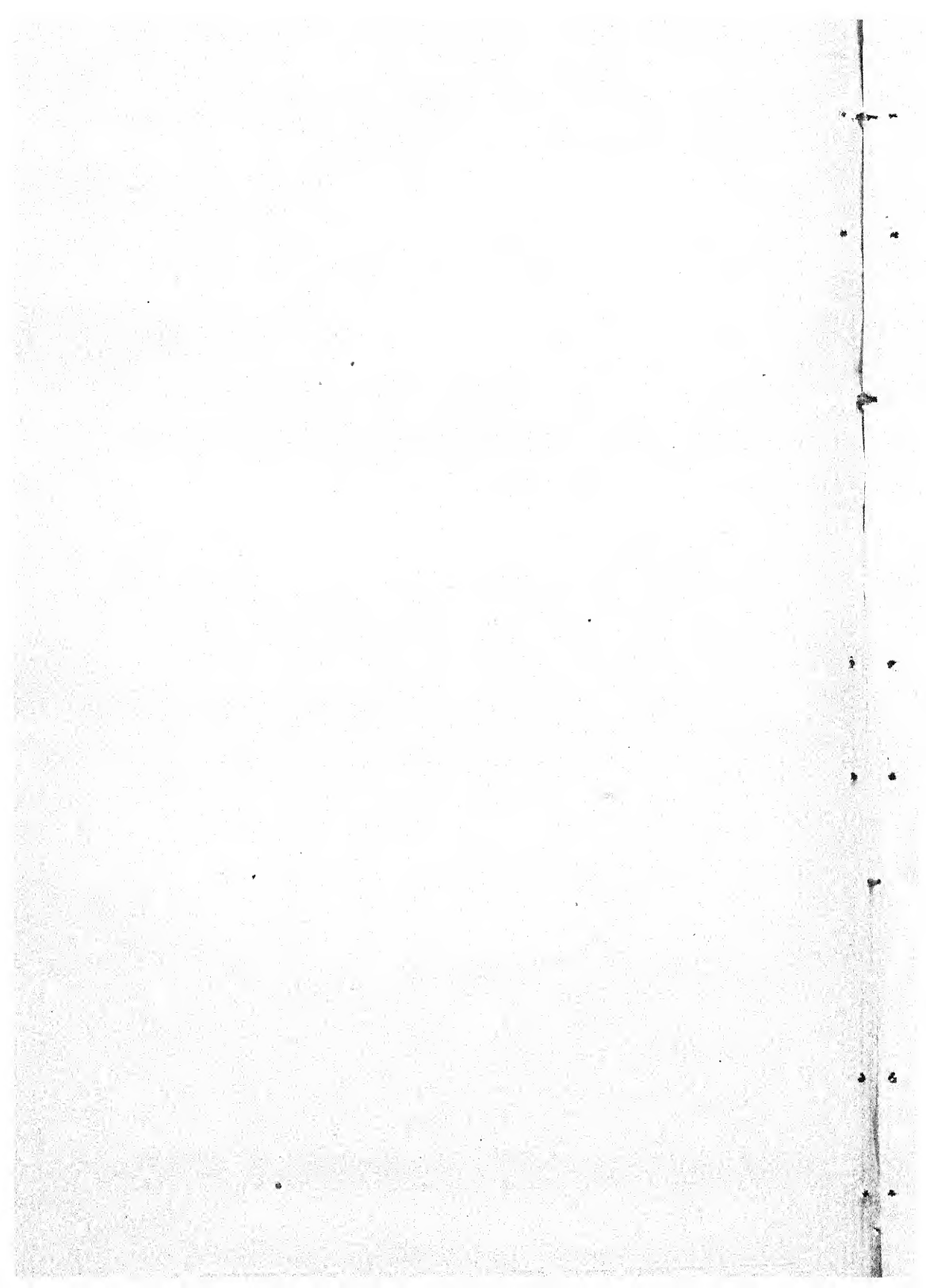
An attempt has been made to comply with the desire of the Committee in the Report on the Railway Appropriation Accounts for 1930-31.

The question is still under examination.

The Chief Accounts Officer, East Indian Railway, has been asked to send the report at an early date.

(a) The Railway Board accept the recommendation.

(b) The question is under consideration.



APPENDIX II.

Statement comparing expenditure with grants for 1930-31.

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—.	Net re-appropriation or surrender.	Remainder unadjusted + or —.
PART I.—CIVIL.					
A.—EXPENDITURE CHARGED TO REVENUE.					
16. Customs—					
Voted ..	77,57,000	71,94,792	—5,62,208	—5,06,171	—56,037
Non-voted ..	19,83,374	19,77,316	—6,058	..	—6,058
17. Taxes on Income—					
Voted ..	72,79,000	71,84,669	—94,331	—10,178	—84,153
Non-voted ..	1,92,808	1,88,026	—4,782	..	—4,782
18. Salt—					
Voted ..	88,31,100	82,21,434	—6,09,666	—4,39,859	—1,69,807
Non-voted ..	43,65,027	43,17,449	—47,578	..	—47,578
19. Opium—					
Voted ..	73,98,000	73,52,958	—45,042	—5,867	—39,175
Non-voted ..	87,250	83,525	—3,725	..	—3,725
20. Stamps—					
Voted ..	1,000	—1,643	—2,643	..	—2,643
Non-voted ..	17,000	33	—16,967	..	—16,967
21. Forest—					
Voted ..	9,55,000	9,39,414	—15,586	—6,100	—9,486
Non-voted ..	2,54,052	2,47,559	—6,493	..	—6,493
22. Irrigation, Navigation, etc.—					
Voted ..	34,92,000	32,94,884	—1,97,116	..	—1,97,116
Non-voted ..	15,57,932	15,44,859	—13,073	..	—13,073
25. Interest on ordinary Debt, and Reduction or Avoid- ance of Debt—					
Voted ..	2,91,32,000	2,91,04,311	—27,689	..	—27,689
Non-voted ..	5,54,64,000	5,83,68,022	+29,04,023	..	+29,04,023
26. Interest on Miscellaneous Obligations—					
Voted ..	47,37,000	44,71,578	—2,65,422	—2,89,000	+23,578
Non-voted ..	8,29,80,757	8,22,69,484	—7,11,273	..	—7,11,273

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—.	Net re-appropriation or surrender.	Remainder unadjusted + or —.
27. Staff, Household and Allowances of the Governor General—					
Voted	5,19,000	5,16,954	—2,046	—12,983	+10,937
Non-voted ..	9,35,549	9,11,728	—23,821	..	—23,821
28. Executive Council—					
Voted	91,000	86,217	—4,783	..	—4,783
Non-voted ..	4,93,501	4,93,494	—7	..	—7
29. Council of State—					
Voted	1,37,000	1,12,315	—24,685	..	—24,685
Non-voted ..	61,200	60,367	—833	..	—833
30. Legislative Assembly and Legislative Assembly Department—					
Voted	7,47,000	6,95,030	—51,970	—39,719	—12,251
Non-voted ..	56,359	43,530	—12,829	..	—12,829
31. Foreign and Political Department—					
Voted	9,82,000	9,47,787	—34,213	—21,900	—12,313
Non-voted ..	2,31,216	2,31,068	—148	..	—148
32. Home Department—					
Voted	8,31,000	7,93,184	—37,816	—35,411	—2,405
Non-voted ..	13,96,770	14,02,946	+6,176	..	+6,176
33. Public Service Commission—					
Voted	95,000	94,450	—550	..	—550
Non-voted ..	2,67,600	2,64,744	—2,856	..	—2,856
34. Legislative Department—					
Voted	3,57,000	3,30,782	—26,218	—24,900	—1,318
Non-voted ..	1,88,983	1,88,455	—528	..	—528
35. Department of Education, Health and Lands—					
Voted	6,22,000	5,83,710	—38,290	—33,314	—4,976
Non-voted ..	2,22,744	2,22,444	—300	..	—300
36. Finance Department—					
Voted	11,49,900	10,98,713	—51,187	—50,126	—1,061
Non-voted ..	3,00,408	3,00,717	+309	..	+309

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—.	Net re-appropriation or surrender.	Remainder unadjusted + or—.
37. Separation of Accounts from Audit—					
Voted	16,00,000	15,66,396	—33,604	—10,000	—23,604
<i>Non-voted</i> ..	52,500	50,950	—1,550	..	—1,550
38. Commerce Department—					
Voted	3,57,000	3,45,447	—11,553	—12,275	+722
<i>Non-voted</i> ..	1,02,696	1,02,344	—352	..	—352
39. Army Department—					
Voted	5,46,999	5,18,039	—28,960	—24,364	—4,596
<i>Non-voted</i> ..	99,933	99,878	—55	..	—55
40. Department of Industries and Labour—					
Voted	5,15,000	4,77,255	—37,745	—33,169	—4,576
<i>Non-voted</i> ..	1,16,679	1,16,633	—46	..	—46
41. Central Board of Revenue—					
Voted	2,04,000	1,72,954	—31,046	—31,060	+14
<i>Non-voted</i> ..	1,42,855	1,38,640	—4,215	..	—4,215
42. Payments to Provincial Governments, etc.—					
Voted	1,25,000	86,149	—38,851	—38,275	—576
<i>Non-voted</i> ..	1,41,600	1,41,320	—280	..	—280
43. Audit—					
Voted	92,72,000	91,26,972	—1,45,028	—94,611	—50,417
<i>Non-voted</i> ..	5,30,364	4,85,270	—45,094	..	—45,094
44. Administration of Justice—					
Voted	59,000	58,110	—890	..	—890
45. Police—					
Voted	1,97,000	1,88,238	—8,762	..	—8,762
<i>Non-voted</i> ..	5,151	4,20,716	+4,15,565	..	+4,15,565
46. Ports and Pilotage—					
Voted	11,69,000	10,89,542	—79,458	—59,905	—19,553
<i>Non-voted</i> ..	12,02,825	11,92,535	—10,290	..	—10,290

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—.	Net re-appropriation or surrender.	Remainder unadjusted + or —.
47. Lighthouses and light-ships—					
Voted	12,64,000	11,82,807	—81,193	—56,948	—24,245
Non-voted ..	35,770	35,726	—44	..	—44
48. Survey of India—					
Voted	32,84,000	29,93,956	—2,90,044	—92,220	—1,97,824
Non-voted ..	7,91,000	7,73,542	—17,458	..	—17,458
49. Meteorology—					
Voted	18,00,000	15,64,796	—2,35,204	—2,32,000	—3,204
Non-voted ..	44,840	43,835.	—1,005	..	—1,005
50. Geological Survey—					
Voted	2,74,000	2,46,196	—27,804	—1,929	—25,875
Non-voted ..	3,29,860	3,27,207	—2,653	..	—2,653
51. Botanical Survey—					
Voted	2,84,000	2,73,774	—10,226	—3,859	—6,367
Non-voted ..	24,559	23,666	—893	..	—893
52. Zoological Survey—					
Voted	1,92,000	1,86,129	—5,871	—1,036	—4,835
Non-voted ..	27,361	26,733	—628	..	—628
53. Archæology—					
Voted	16,33,000	15,45,948	—87,052	—60,334	—26,718
Non-voted ..	64,315	61,992	—2,323	..	—2,323
54. Mines—					
Voted	1,72,000	1,63,947	—8,053	—6,474	—1,579
Non-voted ..	86,349	86,347	—2	..	—2
55. Other Scientific Departments—					
Voted	3,32,000	3,31,512	—488	—436	—52
56. Education—					
Voted	15,81,000	15,80,929	—71	..	—71
Non-voted ..	26,164	21,449	—4,715	..	—4,715

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—.	Net re-appropriation, or surrender.	Remainder unadjusted + or —.
57. Medical Services—					
Voted	7,02,000	6,91,426	—10,574	—6,443	—4,131
Non-voted ..	2,93,191	2,91,059	—2,132	..	—2,132
58. Public Health—					
Voted	11,87,000	11,54,977	—32,023	—19,912	—12,111
Non-voted ..	1,66,992	1,63,296	—3,696	..	—3,696
59. Agriculture—					
Voted	32,46,000	31,21,093	—1,24,907	—75,655	—49,252
Non-voted ..	3,17,212	3,05,013	—12,199	..	—12,199
60. Civil Veterinary Services—					
Voted	7,82,000	7,52,752	—29,248	—1,615	—27,633
Non-voted ..	82,100	81,647	—453	..	—453
61. Industries—					
Voted	2,00,000	1,83,772	—16,228	—12,950	—3,278
Non-voted ..	22,760	22,609	—151	..	—151
62. Aviation—					
Voted	26,24,000	16,82,003	—9,41,997	—7,20,050	—2,21,947
Non-voted ..	17,630	16,770	—860	..	—860
63. Commercial Intelligence and Statistics—					
Voted	3,21,000	2,91,434	—29,566	—31,995	+2,429
Non-voted ..	38,770	38,780	+10	..	+10
64. Census—					
Voted	11,49,000	10,18,717	—1,30,283	—3,000	—1,27,283
Non-voted ..	3,03,000	2,57,494	—45,506	..	—45,506
65. Emigration—Internal—					
Voted	38,000	33,941	—4,059	..	—4,059
Non-voted ..	10,200	9,975	—225	..	—225
66. Emigration—External—					
Voted	2,10,000	2,07,310	—2,690	—73	—2,617
Non-voted ..	58,613	58,932	+319	..	+319
67. Joint Stock Companies—					
Voted	1,37,000	1,28,585	—8,415	—3,374	—5,041
Non-voted ..	8,702	9,765	+1,063	..	+1,063

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Savings—.	Net re-appropriation or surrender.	Remainder unadjusted + or —.
68. Miscellaneous Departments—					
Voted	6,00,000	5,88,132	—11,868	—290	—11,578
Non-voted ..	40,974	43,695	+2,721	..	+2,721
69. Indian Stores Department—					
Voted	9,03,000	7,94,806	—1,08,194	—27,600	—80,594
Non-voted ..	45,200	44,496	—704	..	—704
70. Currency—					
Voted	49,27,000	46,04,223	—3,22,777	—1,44,500	—1,78,277
Non-voted ..	1,14,200	1,06,446	—7,754	..	—7,754
71. Mint—					
Voted	48,06,000	48,29,675	+23,675	—69,800	+93,475
Non-voted ..	1,02,700	99,912	—2,788	..	—2,788
72. Civil Works—					
Voted	2,74,65,000	2,57,96,567	—16,68,433	—3,98,740	—12,69,693
Non-voted ..	15,37,980	14,51,822	—86,158	..	—86,158
73. Superannuation Allowances and Pensions—					
Voted	40,40,000	46,45,127	+6,05,127	—22,562	+6,27,689
Non-voted ..	2,18,60,072	2,15,97,683	—2,62,389	..	—2,62,389
74. Stationery and Printing—					
Voted	51,34,000	52,19,605	+85,605	..	+85,605
Non-voted ..	34,545	34,467	—78	..	—78
75. Miscellaneous—					
Voted	40,67,900	34,78,398	—5,89,502	—2,93,675	—2,95,827
Non-voted ..	31,28,175	31,24,971	—3,204	..	—3,204
76. Refunds—					
Voted	75,47,000	87,36,271	+11,89,271	—7,531	+11,96,802
Non-voted ..	2,02,56,956	1,91,90,105	—10,66,851	..	—10,66,851
77. North-West Frontier Province—					
Voted	1,10,36,900	1,08,92,819	—1,44,081	..	—1,44,081
Non-voted ..	1,45,60,877	1,43,77,691	—1,83,186	..	—1,83,186

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—.	Net re-appropriation or surrender.	Remainder unadjusted + or —.
78. Baluchistan—					
Voted	33,19,000	32,78,092	—40,908	—7,900	—33,008
Non-voted ..	48,71,900	48,69,172	—2,728	..	—2,728
79. Delhi—					
Voted	46,63,000	44,95,621	—1,67,379	..	—1,67,379
Non-voted ..	3,06,940	2,95,779	—11,161	..	—11,161
80. Ajmer-Merwara—					
Voted	15,52,000	15,36,970	—15,030	—6,470	—8,560
Non-voted ..	1,00,740	99,331	—1,409	..	—1,409 •
81. Andamans and Nicobar Islands—					
Voted	49,61,000	48,44,140	—1,16,860	..	—1,16,860
Non-voted ..	2,19,050	2,29,497	+10,447	..	+10,447
82. Rajputana—					
Voted	5,92,000	5,80,859	—11,141	..	—11,141
Non-voted ..	7,86,840	7,70,620	—16,220	..	—16,220
83. Central India—					
Voted	5,80,000	5,27,967	—52,033	—7,990	—44,043
Non-voted ..	7,30,887	7,12,018	—18,869	..	—18,869
84. Hyderabad—					
Voted	3,42,000	3,34,075	—7,925	—6,400	—1,525
Non-voted ..	3,30,900	3,25,439	—5,461	..	—5,461
85. Expenditure in England under the control of the Secretary of State for India—					
Voted	20,44,000	18,69,488	—1,74,512	—67,000	—1,07,512
Non-voted ..	21,80,000	21,10,240	—69,760	..	—69,760
86. Expenditure in England under the control of the High Commissioner for India—					
Voted	37,96,000	36,74,002	—1,21,998	..	—1,21,998
Non-voted ..	42,75,000	42,46,469	—28,531	..	28,531

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—.	Net re-appropriation or surrender.	Remainder unadjusted + or —.
Ecclesiastical—					
<i>Non-voted</i> ..	30,42,866	29,90,908	—51,958	..	—51,958
Political—					
<i>Non-voted</i> ..	1,37,59,973	1,26,55,534	—11,04,439	..	—11,04,439
Frontier Watch and Ward—					
<i>Non-voted</i> ..	1,43,97,732	1,46,31,145	+2,33,413	..	+2,33,413
Territorial and Political Pen- sions—					
<i>Non-voted</i> ..	32,70,800	31,54,999	—1,15,801	..	—1,15,801
Bangalore—					
<i>Non-voted</i> ..	15,52,668	15,37,827	—14,841	..	—14,841
Western India States Agency—					
<i>Non-voted</i> ..	16,97,000	16,88,738	—8,262	..	—8,262
Total { Voted ..	20,29,45,799	19,67,13,482	—62,32,317	—41,69,948	—20,62,369
<i>Non-voted</i> ..	26,94,05,496	26,89,08,894	—4,96,602	..	—4,96,602
B.—EXPENDITURE CHARGED TO CAPITAL.					
87. Capital Outlay on Security Printing—					
Voted	4,45,000	4,01,689	—43,311	..	—43,311
88. Forest Capital Outlay—					
Voted	1,000	..	—1,000	..	—1,000
89. Irrigation Works—Not charged to Revenue—					
Voted	94,000	25,563	—68,437	—68,000	—437
<i>Non-voted</i> ..	2,000	2,400	+400	..	+400
92. Capital Outlay on Cur- rency Note Press—					
Voted	1,88,000	1,35,474	—52,526	—40,000	—12,526
93. Capital Outlay on Vizaga- patam Harbour—					
Voted	38,72,000	38,70,230	—1,770	..	—1,770
<i>Non-voted</i> ..	3,000	3,008	+8	..	+8

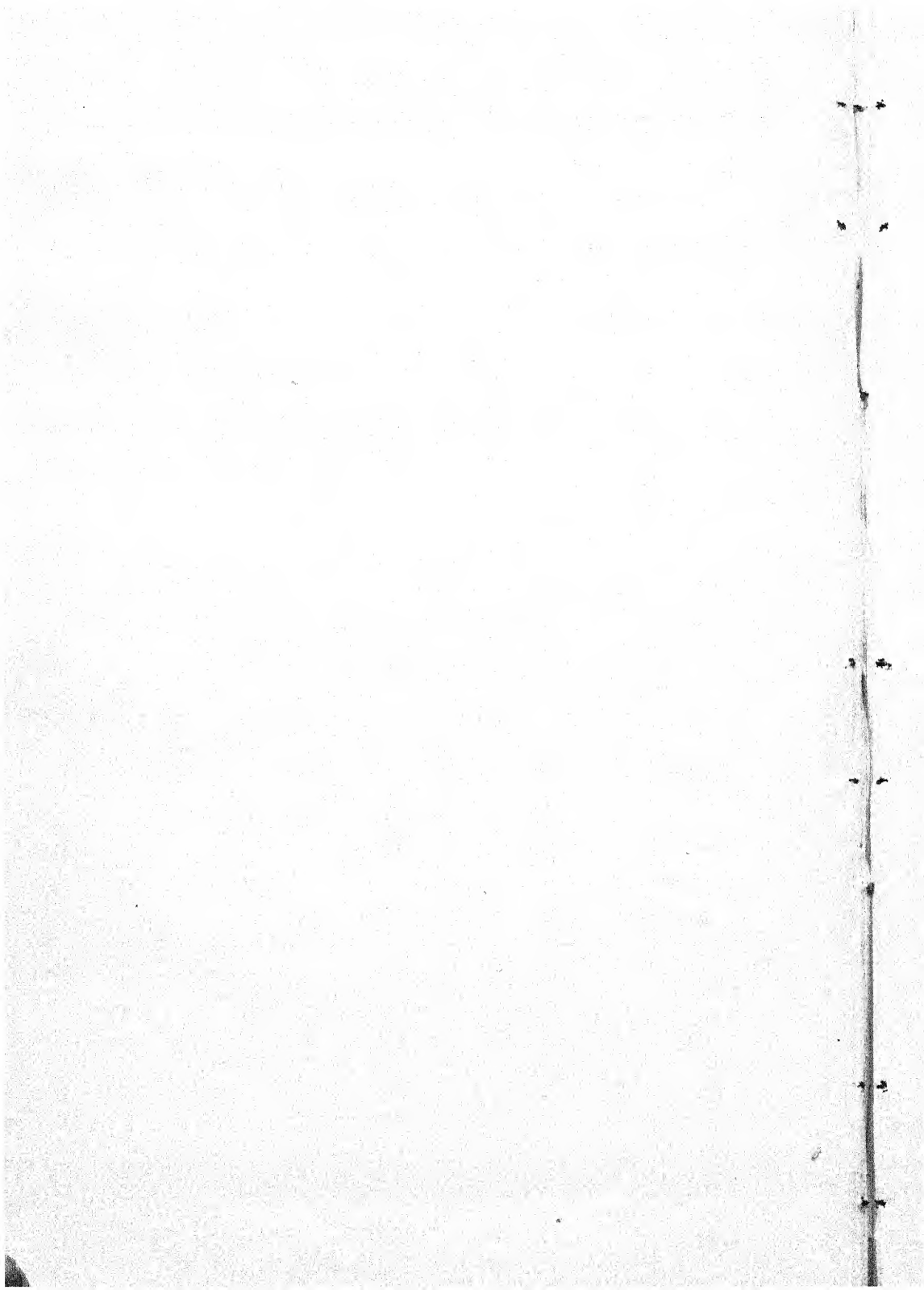
Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—.	Net re-appropriation or surrender.	Remainder unadjusted + or —.
94. Capital Outlay on Light- houses and Lightships—					
Voted	1,000	—12,821	—13,821	..	—13,821
95. Commuted value of Pen- sions—					
Voted	28,55,000	31,75,354	+3,20,354	..	+3,20,354
Non-voted ..	10,94,000	10,90,367	—3,633	..	—3,633
96. Delhi Capital Outlay—					
Voted	1,02,15,000	1,00,05,702	—2,09,298	..	—2,09,298
Non-voted ..	4,64,609	4,56,730	—7,879	..	—7,879
Capital Outlay on Bombay Land Scheme.					
Non-voted ..	2,12,29,066	2,10,37,335	—1,91,731	..	—1,91,731
Total { Voted	1,76,71,000	1,76,01,191	—69,809	—1,08,000	+38,191
Non-voted ..	2,27,92,675	2,25,89,840	—2,02,835	..	—2,02,835
C.—DISBURSEMENTS OF LOANS AND ADVANCES.					
97. Interest Free Advances	94,56,000	76,02,251	—18,53,749	—13,19,000	—5,34,749
98. Loans and Advances bear- ing Interest.	9,48,35,000	11,79,23,871	+2,30,88,871	—2,50,000	+2,33,38,871
Total Voted ..	10,42,91,000	12,55,26,122	+2,12,35,122	—15,69,000	+2,28,04,122
Total Civil ..	61,71,05,970	63,13,39,529	+1,42,33,559	—58,46,948	+2,00,80,507
Voted	32,49,07,799	33,98,40,795	+1,49,32,996	—58,46,948	+2,07,79,944
Non-voted ..	29,21,98,171	29,14,98,734	—6,99,437	..	—6,99,437

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—.	Net re-appropriation or surrender.	Remainder unadjusted + or —.
PART II.—POSTS AND TELEGRAPHS.					
A.—EXPENDITURE CHARGED TO REVENUE.					
3. Indian Posts and Telegraphs Department—					
Voted	11,34,04,000	11,39,41,109	+5,37,109	..	+5,37,109
Non-voted	89,91,000	90,14,186	+23,186	..	+23,186
4. Indo-European Telegraph Department—					
Voted	20,74,000	18,43,997	—2,30,003	..	—2,30,003
Non-voted	12,23,000	11,92,078	—30,922	—5,000	—25,922
Total					
{ Voted	11,54,78,000	11,57,85,106	+3,07,106	..	+3,07,106
{ Non-voted	1,02,14,000	1,02,06,264	—7,736	—5,000	—2,736
B.—EXPENDITURE CHARGED TO CAPITAL.					
0. Capital Outlay on Indian Posts and Telegraphs Department—					
Voted	69,61,000	54,43,502	—15,17,498	—7,39,000	—7,78,498
Non-voted	8,000	7,318	—682	..	—682
1. Capital Outlay on Indo-European Telegraph Department—					
Voted	—1,08,000	—58,29,244	—57,21,244	—57,87,000	+65,756
Non-voted .. ..	..	10,429	+10,429	..	+10,429
Total					
{ Voted	68,53,000	—3,85,742	—72,38,742	—65,26,000	—7,12,742
{ Non-voted	8,000	17,747	+9,747	..	+9,747
Total Posts and Telegraphs					
	13,25,53,000	12,56,23,375	—69,29,625	—65,31,000	—3,98,625
Total					
Voted	12,23,31,000	11,53,99,364	—69,31,636	—65,26,000	—4,05,636
Non-voted	1,02,22,000	1,02,24,011	+2,011	—5,000	+7,011

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—	Net re-appropriation or surrender.	Remainder unadjusted + or —.
PART III.—RAILWAYS.					
A.—EXPENDITURE CHARGED TO REVENUE.					
1. Revenue—Railway Board—					
Voted	13,05,000	13,39,327	+ 34,327	..	+ 34,327
Non-voted ..	3,61,000	3,57,465	—3,535	..	—3,535
2. Revenue—Inspection—					
Voted	2,50,000	2,36,568	—13,432	..	—13,432
Non-voted ..	2,06,000	1,95,624	—10,376	..	—10,376
3. Revenue—Audit—					
Voted	17,75,000	16,24,194	—1,50,806	..	—1,50,806
Non-voted ..	1,77,000	1,62,592	—14,407	..	—14,407
4. Revenue—Working Expenses—Administration—					
Voted	13,88,50,000	14,07,20,248	+ 18,70,248	..	+ 18,70,248
Non-voted ..	42,40,000	43,60,316	+ 1,20,316	..	+ 1,20,316
5. Revenue—Repairs and Maintenance and Operation—					
Voted	41,10,25,000	38,22,11,984	—2,88,13,016	..	—2,88,13,016
Non-voted ..	1,04,000	96,916	—7,084	..	—7,084
6. Revenue—Companies and Indian States' share of surplus profits and net earnings—					
Voted	1,22,00,000	1,16,29,532	—5,70,468	..	—5,70,468
9. Revenue—Appropriation to Depreciation Fund—					
Voted	13,25,00,000	13,06,53,079	—18,46,921	..	—18,46,921
10. Revenue—Appropriation from Depreciation Fund—					
Voted	9,00,00,000	11,39,58,961	+ 2,39,58,961	..	+ 2,39,58,961
11. Revenue—Miscellaneous—					
Voted	17,30,000	17,44,960	+ 14,960	..	+ 14,960
Non-voted ..	11,97,000	11,28,704	—68,296	..	—68,296
12. Revenue—Appropriation to the Reserve Fund—					
Voted	33,95,000	..	—33,95,000	..	—33,95,000

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving —	Net re-appropriation or surrender.	Remainder unadjusted + or —.
13. Revenue—Appropriation from the Reserve Fund— Voted	10,85,99,000	10,92,35,160	+6,36,160	..	+6,36,160
14. Revenue—Strategic Lines Voted	1,71,70,000	1,73,37,449	+1,67,449	..	+1,67,449
Non-voted ..	4,02,000	3,84,995	—17,005	..	—17,005
State Railway Revenue—Interest charges— 1. Interest on Debt— Non-voted ..	31,38,45,000	31,33,96,403	—4,48,597	..	—4,48,597
2. Interest on Capital contributed by Companies— Non-voted ..	1,37,54,000	1,37,58,731	+4,731	..	+4,731
Total { Voted ..	91,87,99,000	91,06,91,462	—81,07,538	..	—81,07,538
{ Non-voted ..	33,42,86,000	33,38,41,747	—4,44,253	..	—4,44,253
B.—EXPENDITURE CHARGED TO CAPITAL.					
7. Capital—New construction— Voted	4,98,00,000	4,23,24,166	—74,75,834	..	—74,75,834
Non-voted ..	1,97,000	2,00,427	+3,427	..	+3,247
8. Capital—Open line works— Voted	11,49,00,000	8,74,03,134	—2,74,96,866	..	—2,74,96,860
Non-voted ..	52,000	1,13,725	+61,725	..	+61,725
15. Capital—Strategic Lines— Voted	25,00,000	20,51,123	—4,48,877	..	—4,48,877
Non-voted ..	—5,000	—5,316	—316	..	—316
Total { Voted ..	16,72,00,000	13,17,78,423	—3,54,21,577	..	—3,54,21,577
{ Non-voted ..	2,44,000	3,08,836	+64,836	..	+64,836
Total Railways ..	1,42,06,29,000	1,37,66,20,463	—4,39,08,532	..	—4,39,08,532
Voted	1,08,59,99,000	1,04,24,69,885	—4,35,29,115	..	—4,35,29,115
Non-voted ..	33,45,30,000	33,41,50,533	—3,79,417	..	—3,79,417

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—.	Net re-appropriation or surrender.	Remainder unadjusted + or —.
PART IV.—MILITARY.					
A.—EXPENDITURE CHARGED TO REVENUE.					
Army—					
India	38,45,63,000	38,96,04,000	+50,41,000	..	+50,41,000
England	13,33,94,000	13,23,38,000	—10,06,000	..	—10,06,000
Marine—					
India	63,04,000	61,89,000	—1,15,000	..	—1,15,000
England	28,96,000	28,53,000	—43,000	..	—43,000
Military Engineer Services—					
India	4,78,15,000	4,89,03,000	+10,88,000	..	+10,88,000
England	5,14,000	5,38,000	+24,000	..	+24,000
Transfers to Military Reserve Fund	50,72,000	24,15,000	—26,57,000	..	—26,67,000
Total Military—					
Non-voted ..	58,05,58,000	58,28,90,000	+23,32,000	..	+23,32,000
GRAND TOTAL ..	2,75,07,45,970	2,71,64,73,372	—3,42,72,598	—1,23,77,948	—2,18,94,650
Voted	1,53,32,37,799	1,49,77,10,044	—3,55,27,755	—1,23,72,948	—2,31,54,807
Non-voted ..	1,21,75,08,171	1,21,87,63,328	+12,55,157	—5,000	+12,60,157



APPENDIX III.

Letter from Sir Ernest Burdon, Kt., C.S.I., C.I.E., I.C.S., Auditor General in India, to the Secretary to the Government of India, Finance Department, No. T-537-Rep./4-32, dated the 18th June 1932.

SUBJECT :—*Appropriation Accounts of the Central Government (Civil) for the year 1930-31 and the Report thereon of the Accountant General, Central Revenues.*

INTRODUCTORY.

1. *General.*—In accordance with the provisions of rule 15 (1) of the Auditor-General's Rules framed under Section 96D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Accounts of the Central Governments (Civil) for the year 1930-31 and the Report thereon of the Accountant General, Central Revenues, together with two copies of the Appendix to these documents prepared by the Director of Commercial Audit, for submission to the Public Accounts Committee and for necessary action by the Government of India. The documents deal with Central Civil transactions (excluding those relating to Railways and Posts and Telegraphs) booked and audited not only by the Accountant General, Central Revenues, but also by other accounts and audit officers.

2. Two copies of the accounts of the receipts and disbursements of the Secretary of State and the High Commissioner for India, on behalf of the Central Government, under the heads other than those relating to Military Services, for the year 1930-31, together with two copies of the relevant Appropriation Accounts and the reports thereon prepared by the Auditor, Indian Home Accounts, are also forwarded herewith.

3. I also append a consolidated statement *(Statement "A") of all Central Voted Grants and Non-voted Appropriations for the year 1930-31, the expenditure incurred against them and the variations between the two. Further statements *(Statements "B" and "C") show the excess over "Voted" Grants and "Non-voted" Appropriations, which require the vote of the Legislative Assembly, and the sanction of the Finance Department of the Government of India, respectively.

4. The Appropriation Accounts and the Report of the Accountant General, Central Revenues, together with the Appendix containing Commercial accounts have, as usual, been subjected to a detailed examination in my office and have been found, generally, to be in order.

In compliance with a wish of the Public Accounts Committee the report has been appreciably reduced in bulk, the present issue consisting of 384 pages of print as compared with 614 and 680 pages in the two preceding years. At the same time the presentation of the subject-matter has been carried out in a manner which, I think, the Public Accounts Committee will find very convenient for their purposes. Paragraphs 12 to 38 of the Report, in comparatively brief compass, indicate important individual features in the accounts and also give a general picture of the year's proceedings and results, the latter being intended to assist the Public Accounts Committee in arriving at general conclusions of its own regarding the state of the financial administration.

Following the practice now established, I proceed to draw attention to those matters appearing in the accounts or the report which appear to me to merit particular attention.

5. *Outstanding questions.*—I assume the Committee will, as usual, take up the list of questions outstanding from previous discussions and examine these *seriatim*. I have myself no audit comment to make on any of the items at this stage.

FINANCE DEPARTMENT—GENERAL REMARKS.

6. *Accuracy of budgeting, control over expenditure, etc.*—As regards accuracy of budgeting and control over expenditure, attention is invited in particular to paragraphs 19 to

* Not printed.

23, paragraph 26 and paragraph 34 of the Accountant General's Report. I agree generally with his conclusions which it will be seen are on the whole favourable. It will be observed on the other hand in paragraphs 24 to 25 of the Report that cases occurred in which supplementary demands were presented which subsequently proved to be unnecessary and I think it would be advantageous for the Public Accounts Committee to discuss once more with the Finance Department the possibility of improving procedure in such a way as to minimise such unnecessary grants of supply. I invite attention also to paragraph 28 of the report in which reference has again been made to the possibility of improving the method of estimation of charges on account of pay of officers and pay of establishments. It is understood that this has been the subject of special investigation by the Finance Department.

7. *Financial irregularities.*—Cases of financial irregularity are dealt with in paragraph 37 of the Accountant General's Report, and here also the year's results may be regarded as fairly satisfactory. I observe that in 1930-31 only one case of fraud occurred in Burma where frauds in treasuries have unfortunately been frequent in recent years. There seems reasons to believe that the improvement is the result of drastic disciplinary action taken by the local Government in these previous cases.

8. *Claims against Indian States.*—Attention is invited to paragraph 38 of the Report which brings to notice certain large claims against Indian States. I have since examined the accounts current of all the States and find that with one other possible exception the position is satisfactory.

9. *Commercial Audit.*—As the Public Accounts Committee must be aware, the separate Commercial Audit Branch has recently been abolished as a measure of retrenchment. The work of the Branch, however, continues to be performed, having been decentralised and fused with general audit. It has been arranged that each of the Accountants General will continue to employ personnel trained in the principles and practice of Commercial Audit; and the Public Accounts Committee will continue to receive information regarding the results of Commercial Audit to the extent and in the form which the Committee is known to desire. The Appendix containing the accounts and reviews of Government Commercial concerns for the year 1930-31 has been compiled, for the last time, by Mr. Campbell, the late Director of Commercial Audit. In future this Appendix will be compiled by the Accountant General, Central Revenues.

There is much in the Appendix which the Public Accounts Committee will wish to study, and later in this letter I propose myself to draw attention to certain individual accounts. At this point I would direct attention to paragraphs XV and XVI of the Director of Commercial Audit's opening chapter in which he gives an interesting general and comparative survey of the working of the commercial concerns of the Central Government in the year under report.

FINANCE DEPARTMENT—OTHER COMMENTS.

10. *Grant No. 25.—Interest on Ordinary Debt and Reduction or Avoidance of Debt and Grant No. 26.—Interest on Miscellaneous Obligations* (Appropriation Accounts, pages 54 to 61)—

Under the former grant there was a net excess of Rs. 29 lakhs over the non-voted appropriation, the causes of which the Public Accounts Committee will doubtless think it desirable to investigate. I observe that in three instances modifications of the original grant, as made by supplementary appropriations, were erroneous. Thus under sub-heads A-1 and A-4 where large excesses occurred *minus* appropriations of Rs. 5,29,000 and Rs. 27,52,000 were sanctioned; and this was done actually towards the close of the year. A similar error was made under sub-head B-7 of the former grant and in this case, apparently, there was also lack of co-ordination as under the corresponding debit sub-head in grant No. 93 a surrender was made where there should have been a supplementary provision. Again in sub-head D-5 of Grant No. 26 a *minus* appropriation of Rs. 7,57,920 was sanctioned towards the close of the financial year, this contributing to an excess, in actual outturn, of Rs. 3,90,969.

11. *Grant No. 95.—Commuted Value of Pensions—pages 366-367.*—A mistake occurred in the control of this grant which I am informed is not likely to recur. As, however

the result was an excess of Rs. 3,20,354 over the voted grant the Public Accounts Committee may wish to receive further information on this subject and also regarding the measures which it is said are being taken to improve the system of current control.

12. *Grant No. 97—Interest Free Advances—page 374.*—The accounts of this grant indicate that both estimating and control were unsuccessful especially under heads A.-1 and A.-2. Although there may be difficulty in framing the original estimates, it should be possible to make a closer assessment of the actual expenditure in the course of the year. If there are any special circumstances attaching to this grant which render this difficulty it would be desirable for these to be explained concretely to the Public Accounts Committee.

13. *Grant No. 98—Loans and Advances Bearing Interest—pages 375 to 378.*—This account is one of special interest and has been specially commented upon by the Accountant General in paragraph 34 of his Report. It and the account of Grant No. 25 reflect conspicuously the unusual financial difficulties and uncertainties of the year. Under sub-head A.-1 of Grant No. 98 there was an excess of Rs. 2,67,45,000 occasioned by un-anticipated overdrafts by several provinces. (I shall refer again to this matter of excessive provincial drawings). The Public Accounts Committee will presumably wish to ascertain amongst other things whether it really was impossible for the provincial Governments to foresee their requirements at an earlier date than—as apparently was the case—after the close of the year.

FINANCE DEPARTMENT—CENTRAL BOARD OF REVENUE.

14. *Grant No. 16—Customs—Appropriation Accounts, pages 27-31.*—This is also an interesting account which may with advantage be studied in some detail in conjunction with the special comments of the Accountant General. The grant appears on the whole to have been well controlled.

15. *Grant No. 18—Salt—Appropriation Accounts, page 39.*—Attention is invited to the loss of Rs. 31,122 mentioned in the note under sub-head I. It is not clear that the loss was unavoidable and the Public Accounts Committee may wish to obtain further information on the subject.

The Commercial accounts of the Salt Department, included in the Director of Commercial Audit's Appendix, call on this occasion for no special comment.

16. *Grant No. 76—Refunds—Appropriation Accounts, page 240.*—Attention is invited to paragraph 2 of the Accountant General's special comments regarding the variations and the difficulties, accurate estimation under this head.

HOME DEPARTMENT.

17. *Grant No. 64—Census—Appropriation Accounts, page 147.*—Attention is invited to the Accountant-General's comment in paragraph 2 of the notes under this grant. There was a substantial saving under the grant which apparently might have been foreseen.

18. *Andamans concerns.*—Attention is invited to paragraphs 361 and 362 and paragraphs 374 to 375 of the Appendix. The former passage brings to notice an improvement in the financial results of the working of the Marine Department while the latter brings to notice losses incurred in the working of the Executive Commissariat Department. As regards the latter, the point has, I know, been discussed before, but so far as I am aware I do not think it has yet been explained conclusively why it should be regarded as justifiable to sell the products of the Butchery and the Dairy at less than cost price, particularly in the case of supplies made to the Army.

DEPARTMENT OF INDUSTRIES AND LABOUR.

19. *Grant No. 22—Irrigation, Navigation, etc., works charged to Revenue.*—Attention is invited to the balances of stores held on the 31st of March 1931 in the Malakand and Swabi Divisions which are shown in the store accounts on page 52 of the Appropriation Accounts. The quantity of stores held appears to be highly judged by the usual standards applied to this matter.

20. *Grant No. 72—Civil Works.*—I invite attention to paragraph 3 of the Accountant General's note on pages 182 and 183 of the Appropriation Accounts which gives particulars of the utilisation of the lump sum kept in reserve. It is I think a recognised principle that so far as possible allotments for original works should be made in the estimates presented to the legislature and that the use of the reserve should be confined to really unforeseen and emergent demands. Otherwise the scope of the demand is not sufficiently defined and incidentally questions of "new service" may subsequently arise requiring further application to be made to the legislature. I think that the Public Accounts Committee might with advantage study the detailed information to which I have here referred with a view to seeing whether in its opinion the principle has been correctly observed in all cases. It will be noted that in one case (item No. 40 on page 189, purchase of a plot of military land at Dum Dum, cost Rs. 49,535) there was also an apparent irregularity in that technical sanction to the estimate had not been received.

I also invite attention to items 19, 22 and 26 on pages 186 and 187 of the Appropriation Accounts in which the allotment of funds was either greater in excess of the expenditure incurred or was not utilised at all.

Attention is invited to sub-head Q.—Block grant for expenditure on Road Development (page 181). The Public Accounts Committee may wish to obtain further information why it is not possible to make a closer estimate of the requirements under this sub-head than was found to be possible in 1930-31.

21. *Grant No. 62—Aviation—pages 142-143.*—The Appropriation Accounts of this grant disclose two special features—

- (i) The inadequacy of the surrender under sub-head A.-6—Indian State Air Service: The Public Accounts Committee may be interested to inquire the reasons why it was not possible to surrender the whole provision of Rs. 8,07,046, which could not be utilised because of a change in policy, the final saving under the sub-head was Rs. 2,07,046;

- (ii) Over-budgeting under sub-head C.—Works.

22. *Appendix—paragraphs 380 to 390 and 391 to 434.*—The audited accounts of the Indian State Air Service and the Indian State Broadcasting Service appear in the Appendix for the first time. The former undertaking has since been discontinued while the latter, after a decision to discontinue it, has subsequently been revised as a Government undertaking. In both cases the financial results are conspicuously unfavourable.

23. *Grant No. 69—Indian Stores Department.*—Attention is invited to the Accountant General's note on page 156 of the Appropriation Accounts. It will be seen that certain payments by Railways were taken in the estimates as receipts but classified in the accounts as deductions from expenditure. But for this change in classification it is possible that there would have been an excess over the grant. A general question arises whether it is permissible for unanticipated credits of this kind to be utilised for the purpose of covering expenditure in excess of the grant directly sanctioned.

It has been the practice in the past for the Public Accounts Committee to examine the Chief Controller of Stores generally on the financial results of the year's working of the Indian Stores Department. I venture to suggest that it might perhaps be more convenient for the Public Accounts Committee if in the first instance the Chief Controller of Stores undertook to supplement the profit and loss account of the Stores Department by a financial review on the lines of the reviews of commercial concerns which are prepared by the officials charged with their management and included in the Appendix containing commercial accounts. A similar arrangement might also be adopted in the case of the *pro forma* trading accounts of the Government of India Presses.

DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

24. *Grant No. 57—Medical Services—page 127, notes, paragraph 2.*—I have since been informed that the whole of the X-Ray stores have been disposed of by auction or by free transfer to Military and other institutions and that the loss on disposal amounted to

Rs. 4,29,000. The Public Accounts Committee may wish to have further information on this subject, namely, whether :—

- (1) the entire stock of stores has been disposed of, in what manner this has been done and what the final loss to Government has been, and
- (2) the value of the stores issued to departments with which financial adjustments are permitted, and what charge has been made on this account.

25. *Grant No. 48—Survey of India—Appendix paragraphs 156, 159-60—Accounts of the Mathematical Instrument Office.*—In view of the disappointing results, the Public Accounts Committee may wish to know what action is being taken to reduce expenditure. A reference to the Trading and Profit and Loss Account on page 99 will show that there has been very little reduction in wages and general charges.

26. *Grant No. 59—Agriculture—Appendix paragraphs 167 to 262.*—The Public Accounts Committee will probably wish to make some general examination of the accounts of the quasi commercial concerns dealt with in this part of the Appendix. It will be seen that on the whole the financial results in the year under report were far from satisfactory.

As an incidental point, attention is invited to the great difference between the valuation and the sale price of cattle brought to notice in paragraphs 179 and 194 of the Appendix.

RAILWAY DEPARTMENT.

27. *Grant No. 93—Capital Outlay on Vizagapatam Harbour.*—Attention is invited to the Accountant General's note at the foot of page 362 of the Appropriation Accounts. The Public Accounts Committee may desire to have the most recent information that is available regarding the revision of the estimate for the construction of the harbour.

CONCLUSION—GENERAL REMARKS.

28. *Provincial Over-drafts.*—In each of the past two years I have given the Public Accounts Committee particulars of the over-drafts on current account taken by the Provincial Governments at the expense of the Central Government. The drain on the Central Government represented by these over-drafts has continued to increase. In 1930-31 there were three months in the year, November to January, in which taking the provincial balance as a whole there was a net over-draft on current account ranging between 191 and 385 lakhs of rupees. In the other nine months of the year there was no net over-draft, the debit balances of certain provinces being covered by the credit balances of others. In 1931-32 according to the information so far available in my office the Central Government has been drawn upon practically throughout the year on current account and the net over-draft in December 1931 amounted to about Rs. 10 crores.

29. *Financial position and financial administration.*—I will not attempt on this occasion to discuss the financial position of the Central Government. The facts of the unfortunate financial situation which prevailed in the year under report and still continues, and the policy adopted to meet it, are fully known by other means to the Public Accounts Committee : and there is no comment which it would be appropriate for audit to add.

As regards those aspects of the financial administration on which audit is entitled to offer criticism, I agree with the conclusion which the Accountant General's Report suggests namely that while room for improvement necessarily remains the standard of efficiency attained is in general satisfactory.

APPENDIX IV.

Letter from Sir Ernest Burdon, Kt., C.S.I., C.I.E., I.C.S., Auditor General in India, to the Secretary to the Government of India, Finance Department, No. 144-Rep./6-32, dated the 20th April 1932.

SUBJECT:—*Appropriation Accounts of the Posts and Telegraphs Department for 1930-31 and the report thereon of the Accountant-General, Posts and Telegraphs.*

With reference to rule 15 (1) of the Auditor General's Rules, framed under Section 96D (1) of the Government of India Act, I have the honour to transit herewith, for submission to the Committee on Public Accounts, and for necessary action by the Government of India, two copies of the Appropriation Accounts of the Posts and Telegraphs Department for the year 1930-31 and the report thereon of the Accountant-General, Posts and Telegraphs.

Introductory.

2. A definite procedure which I regard as satisfactory has now been agreed upon which covers the presentation of the Appropriation Report of this department by the Auditor General, its study by the Public Accounts Committee and by the departmental authorities, and the disposal of recommendations. I am assuming that this procedure will continue and that it is not necessary for me to recapitulate the arrangements either on this occasion or on any future occasion of the same kind.

3. The Accounts and the Report have, as usual, been subjected to a detailed examination in my office. I have satisfied myself that the Appropriation Accounts are in order and that the Report contains all the information necessary for the purpose of the Public Accounts Committee. Adhering to the practice which I adopted last year I will confine my own observations to a few general reflections and a few points of special importance.

Indian Posts and Telegraphs Department.

4. *Financial Position.*—In dealing with previous year's report I found it necessary to comment at some length and somewhat emphatically on the extremely adverse financial results of the activities of the Posts and Telegraphs Department, and suggested amongst other things that the continued loss on the working of the Department was liable to be construed as evidence, to some extent at least, of unsuccessful and inefficient financial administration, not merely by the departmental authorities, but by the Government of India themselves. The accounts of the year 1930-31 would afford justification for repeating the same criticism, except that the great increase in the loss on the working of the department is attributable in no small measure to circumstances beyond the control of Government.

My animadversions of last year were not seriously challenged in the Public Accounts Committee, and the Committee ultimately endorsed the view that, as a matter of principle, the department should be self-supporting, and that whatever steps were necessary to bring this about should be taken and efforts should not be relaxed until this result has been achieved. The Committee further suggested certain definite courses of action which in its opinion might help to achieve the object in view. The session of the Public Accounts Committee was, however, held later than usual: accordingly, only a short time has elapsed since the Committee recorded the above conclusion; and the accounts of 1930-31 could not in any case be expected to show any improvement in results attributable to action taken in response.

The Accountant-General has dealt with the same subject in paragraph 1 of his present report and, in view of action to obtain better financial results having been decided upon, he observes that the year under report may be taken as closing an important chapter in the history of the department. I think myself that this is a premature assumption, and I feel sure that the Public Accounts Committee like myself will not agree to be satisfied except by the test of actual results. And it must be emphasised that the latest information now available is not such as to justify optimism or to warrant relaxation of effort on the part of Government. In his memorandum furnished to the Public Accounts Committee on the 30th of November 1931, the Director-General, Posts and

Telegraphs, estimated that as a result of various measures designed to increase revenue and reduce expenditure, combined with savings expected to be realised as a result of the recommendations of the Posts and Telegraphs Accounts Enquiry Committee, the loss on working in 1931-32 would be reduced to Rs. 81,19,000, and that in 1932-33 there would be a profit of about Rs. 9 lakhs. But the revised estimate for 1931-32 and the budget estimate for 1932-33 which have since been framed indicate a loss of approximately Rs. 1,29 lakhs in 1931-32 and Rs. 16 lakhs in 1932-33. I note in this connection that, so far as I am aware, Government have not yet passed final orders on the recommendations of the Posts and Telegraphs Accounts Enquiry Committee, and I do not know therefore how far the recommendations of that Committee if accepted can be effective in 1932-33.

I suggest that the Public Accounts Committee should examine in particular the Accountant-General's analysis of the increases of expenditure in the different branches of the department which is included in paragraphs 14 to 38 of the report. A disappointing feature of the year is that the Telephones Branch which had previously shown a profit, shows a loss of Rs. 1,94,744 in 1930-31, despite an increase in revenue of approximately the same amount, this result being attributable to a considerable increase of approximately Rs. 5 lakhs in the expenditure of the Branch. Finally, I invite attention to the Accountant-General's summary in paragraphs 43 and 44 of the report which brings to notice amongst other things one redeeming aspect of the situation, namely, that the rate of increase in the expenditure of the department as a whole was at any rate checked to some extent in 1930-31.

Financial Administration.

5. *Accuracy of Budgeting.*—The estimate of expenditure under Grant No. 23 taken as a whole proved to be reasonably accurate. There were however large variations under certain sub-heads and secondary units (*vide* in particular paragraph 76 of the Accountant-General's report).

The estimate under Grant No. 90 was again wide of the mark there being a saving of 21.79 per cent. under the voted portion and of 59.34 per cent. under the non-voted portion of this grant. Since 1926-27 over-budgeting under the voted portion of this grant has been continuous. The Public Accounts Committee has already commented on this matter which continues to require its attention.

6. *Control of Expenditure.*—The detailed Appropriation Accounts in Section V of the Report indicate that there is still great room for improvement in the methods and practice of financial control. Divergences between actual expenditure and the budget grant were in certain cases not removed by suitable modifications and the reappropriations sanctioned, almost on the last day of the year, were in many cases either inadequate or excessive or had the effect of further increasing the divergences (*vide* paragraphs 79 and 80 of the Report). The departmental compilations of fluctuating charges were not maintained systematically. The revised estimate failed to approximate to actuals to the extent which should be possible and was in certain cases even more inaccurate than the original budget estimate. It would also appear that further control over expenditure was not exercised after the revised estimate had been drawn up (*vide* paragraph 69 of the Report). In my comments of last year I suggested that if the departmental accounts could not be made more effective, they might be dispensed with altogether. The question was examined by the Director-General in consultation with the Accountant-General and the heads of Circles. It was found that it was necessary and at the same time relatively inexpensive to maintain the separate departmental compilations. Certain instructions have, however, been issued which should ensure better maintenance and more effective use of these.

7. *Excesses to be regularised.*—In the final result the Appropriation Audit of the accounts of the year 1930-31 discloses excesses of Rs. 5,37,109 and Rs. 23,186 under the voted and non-voted portions respectively of grant No. 23. The causes of the excesses are stated in paragraphs 74 and 75 of the Report. The excesses require to be regularised, the former by a vote of the Legislative Assembly, and the latter by an order of the Finance Department.

8. *Financial irregularities, etc.*—The statistics of defalcation or loss of public money given in Section II of the Accountant-General's report do not disclose anything very remarkable. Some of the individual cases of irregularity and fraud which have been

specially reported in the same section appear however to be of a distinctly unsatisfactory character. The Accountant-General has also brought to notice some interesting and rather unfortunate cases of nugatory expenditure. A perusal of this section of the report taken as a whole does not serve to remove my general impression that the financial administration of the Department has continued to be defective, and I feel also that the standard of financial discipline has not been sufficiently rigorous.

9. *Establishment charges.*—Attention is invited to paragraphs 83 and 84 of the report which deal with the question of control over charges on establishment employed on works. The Accountant-General has not yet had time to complete the information required by the Public Accounts Committee but it is hoped that a separate memorandum on the subject will be ready for presentation to the Committee when it meets.

10. *Store accounts.*—I invite attention to paragraphs 103 to 106 of the report which deal with store accounts. The public Accounts Committee will, I have no doubt, wish to investigate the suggestion of the Accountant-General that the quantity of stock held is still unduly high.

11. *Rents.*—Finally I invite attention to Appendix III of the Report which deals with the question of delay in assessment and fixation of standard rents for residential buildings, and consequent loss of revenue. The Public Accounts Committee will presumably wish to receive the latest information available regarding the action taken, which should by now have been completed.

12. *Indo-European Telegraph Department.*—The Indo-European Telegraph Department ceased to exist from the 1st of March 1931. The Public Accounts Committee may be interested to see the information contained in the Report regarding the details of the closure of the Department and the disposal of its assets, which are given in paragraphs 115 and 149 of the Report. Otherwise there is no practical purpose to be served by examining closely the accounts of this concluding year, which moreover contain nothing of outstanding importance.

In the final result the Appropriation Audit of the year discloses a small excess of Rs. 10,429 over the non-voted appropriation under Grant No. 91 which requires the sanction of the Government of India in the Finance Department (*vide* paragraph 132 of the Report).

APPENDIX V.

Letter from Sir Ernest Burdon, Kt., C.S.I., C.I.E., I.C.S., Auditor General in India, to the Secretary to the Government of India, Finance Department, No.T.-424-Rep./5-32, dated the 7th June 1932.

SUBJECT:—*Appropriation Accounts of the Army, Marine and Military Engineer Services for the year 1930-31 and the Report of the Director of Army Audit thereon.*

I have the honour to forward herewith for necessary action, two copies of the Appropriation Accounts of the Army, Marine and Military Engineer Services for the year 1930-31 prepared by the Financial Adviser, Military Finance, together with two copies of the Report thereon prepared by the Director of Army Audit.

I also transmit herewith two copies of the accounts of the receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Central Government, in respect of Military Services, for the year 1930-31, together with two copies of the relevant Appropriation Accounts and the Reports thereon prepared by the Auditor, Indian Home Accounts.

It is understood that these documents will, as usual, be subjected to a preliminary examination by the Military Accounts Committee before being presented to the Public Accounts Committee.

2. *Outstanding questions.*—I presume that the Military Accounts Committee will as usual first go through the list of questions outstanding from previous discussions (Appropriation Accounts—Appendix A). I have no comment of my own to offer at this stage on any of these items.

3. *Appropriation Audit—General.*—Continuing the practice initiated last year the Financial Adviser has prefixed to the Appropriation Accounts proper a general review of the financial administration of the year: and once more I find this general survey and analysis to be singularly lucid, informative and valuable. It will be observed that where there has been any serious error in the audit or control of appropriation—for which the Financial Adviser is responsible—this has been expressly brought to notice. Neither the Director of Army Audit nor I have found anything to criticise in this part of the Financial Adviser's exposition of the accounts: and I have only to suggest that the Military Accounts Committee should read the whole of it with special care and attention (Appropriation Accounts, Section I—paragraphs 1—17).

4. In view particularly of the abnormal conditions which characterised the year, the actual outturn may in general be regarded as satisfactory. Military operations of one kind or another had to be undertaken and these, it is estimated, involved extra expenditure of about Rs. 1 crore. At the same time some appreciable progress was made towards completing the programme of special measures. Yet the original appropriation for Military Services as a whole was underspent by Rs. 55½ lakhs. This favourable result was admittedly due in the main to fortuitous causes. On the other hand it is reasonable to conclude that the advantage taken of the favourable factors in the situation reflects *pro tanto* efficiency of financial control.

5. In view also of the abnormal conditions of the year, already mentioned, it would in my opinion serve no practical purpose for the Military Accounts Committee to examine to any great extent the variations by way of excess or saving under individual subdivisions of the grants. There are only three of these on which I myself desire to raise a question, namely:—

- (a) The excess of 3,63 under Pay and Allowances of Reservists (Appropriation Accounts—page 33).

It is explained that a larger number of men were called up for training: and it would, I think, be of interest to know the circumstances which made this necessary.

- (b) The excess of 4,48 under Printing and Stationery, Army Headquarters (Appropriation Accounts—page 50).

I had understood that a special investigation had been made for the purpose of controlling expenditure on printing. Accordingly it would, I think, be desirable to obtain some further information from the administrative authorities regarding the cause of this excess and to ascertain how present expenditure under this head compares with the corresponding expenditure in previous years.

- (c) The utilisation of the reserve of Rs. 2 lakhs provided under the head Military Accountant General for pay and allowances of temporary establishments (Director of Army Audit's report—page 59).

The inference is suggested that this provision is intended to cover purely discretionary expenditure on new temporary establishment recruited during the year : but I surmise that this is not actually the case. A reserve of Rs. 1 lakh was formerly held at my disposal to cover, mainly, the cost of temporary establishment employed in the offices of Accountants General ; and this arrangement has been recently discontinued.

6. *Appropriation Audit—Military Engineer Services.*—The results of Appropriation Audit in the case of the Military Engineer Services Expenditure (*vide* pages 71—78 of the Director of Army Audit's report) warrant a repetition of the criticisms* which I made on this subject last year. I recognise that it may not yet have been possible to complete the inquiry which was to be instituted as a result of these criticisms, and I recognise also that in the abnormal conditions of 1930-31 it may have been specially difficult to adhere to the original programme of works. But it is necessary that I should continue to bring to notice the important question of principle involved until some definite conclusion on the subject is arrived at by Government.

7. *Audit of the Special Programme.*—I invite attention to paragraph 4 of the Financial Adviser's general review, Appendix B in the Appropriation Accounts and paragraphs 1, 129—131 of the Director of Army Audit's report all of which relate to the expenditure and the audit of the expenditure on the special programme. The action taken and continuing to be taken in response to the suggestions which I have made on this subject from time to time is in my opinion sufficient. It is satisfactory that it has been found possible to isolate these transactions and to construct a formal and sufficiently precise record of the facts which both the administrative authorities and the Audit Department accept. The results disclosed appear to be satisfactory in the financial sense also, so far as they go.

8. *Cases of financial irregularity, etc.*—The Director of Army Audit's report includes on this occasion a much larger number of cases of financial irregularity than his report on the accounts of 1929-30. This is not due to more irregularities having occurred, or to the internal check and audit departments having been specially vigilant and successful, during the year 1930-31. The explanation is that the Director of Army Audit, as a result of certain discussions which took place in the Military Accounts Committee last year, has brought to notice a larger proportion of the irregularities, mistakes and so forth detected in audit, in order to give the Military Accounts Committee a wider basis on which to judge for itself the standard of regularity and efficiency which is attained in the detailed financial administration of the Military Services. Some of the cases are not of recent occurrence and others are relatively unimportant taken by themselves. If the Military Accounts Committee desires to follow up the Director of Army Audit's exposition of this matter, it will, I think, be found convenient, particularly for the purpose of examining departmental witnesses, to take the cases in groups corresponding to the main branches of the Military administration in whose sphere of responsibility the irregularities, etc., occurred. For the assistance of the Military Accounts Committee I select what I consider to be the more important cases and group them as follows :—

- (a) *Military Accounts Department.*—Director of Army Audit's report, paragraphs 17—20, 31—32, 94, 97—98, 102—103, 25—27, 38.
- (b) *Adjutant-General's Branch and/or Military Accounts Department.*—Director of Army Audit's report—paragraphs 39, 41 (*cf.* paragraph 60), 79, 81—83, 87—8.

* Appended, paragraph 5 of last year's letter (Annexure).

- (c) *Quarter Master General's Branch*.—Director of Army Audit's report, paragraphs 45 and 55.
- (d) *Master General of the Ordnance*.—Director of Army Audit's report, paragraphs 49—52, 58, 107.
- (e) *Military Engineer Services*.—Director of Army Audit's report, paragraphs 69—72, 74, 76, 90—2.

In my opinion the more unsatisfactory types of irregularity brought to notice are—

- (1) Errors and omissions in issuing pay, allowances and pensions.
- (2) Errors and omissions in the calculation of charges recoverable from other departments, Governments, etc.
- (3) Errors and omissions in calculating or recovering rents of military properties.

In the case of (1) and (2) the Military Accounts Department is the department of the administration which is concerned. But in assessing its responsibility it is important to bear in mind the great and almost inevitable complexity of the Military regulations. The difficulties of detailed financial administration arising out of the peculiar structure of the Army in India, and all that this involves, are much more considerable than anything of the same kind which is encountered in the Civil administration. And I am bound to observe that consideration of the reports, taken as a whole, of the test audit establishments working under the Director of Army Audit suggests definitely that in respect of current work there has been no deterioration but rather improvement in the efficiency of the internal check of the Military Accounts Department.

Finally I venture to suggest that both in the report of the Director of Army Audit and in the report of the Auditor, Indian Home Accounts, the Military Accounts Committee will find evidence that in the period under review the test audit staffs have done work of substantial value.

9. *Store Accounts*.—As the Military Accounts Committee is aware, the priced store accounts previously maintained have been abolished from 1st January 1932, and Appendix E.—the Stock Account—appears in the Appropriation Accounts 1930-31 for the last time. Attention is invited in this connection to item 2 in Appendix A of the Appropriation Accounts. I have at present under consideration the nature of the audit check to be applied to the figures of the selected classes of stores which the Financial Adviser will furnish in future in substitution for the present Appendix E, and also the nature of the audit check and report which should now be prescribed in respect of the other categories of stores. It seems to me that in addition to the ordinary routine checks it may be necessary to place on audit some degree of responsibility for detecting unusual accumulations or depletions of stock.

If the Military Accounts Committee desires to make any particular examination of the Store Accounts of 1930-31, I suggest that attention may most profitably be directed to the following :—

- (a) The statement showing the stock balance of Army Manufacturing concerns (Appropriation Accounts, page 104).

The balance has increased during the year by approximately Rs. 30 lakhs. Attention is invited in the same connection to the comments in paragraph 140 of the Director of Army Audit's report regarding the apparent magnitude of the stocks held by Ordnance and Clothing factories.

- (b) The stock balance of the Royal Air Force which has increased during the year by approximately Rs. 17 lakhs (Appropriation Accounts—pages 106—7).

- (c) The Stock account of the Royal Indian Marine (Appropriation Accounts, page 108).

The balance held represents, apparently, nearly 18 months' consumption.

- (d) The Stock account of Military Engineer Services stores (Appropriation Accounts, pages 86 and 109).

In this case there has been a substantial reduction in stock.

- (e) The statements showing losses of stores (Appropriation Accounts, pages 110-111 and pages 114-119).

The losses in Army Stores were much higher in 1930-31 than in the previous year.

10. *Trading Accounts*.—The inquiry which was instituted at my suggestion as to the value of maintaining trading accounts for Army Manufacturing Establishments and as to the reliability of the accounts hitherto maintained has not yet been finally completed, and accordingly I am not at present in a position to express any further opinion on the general questions involved. In the meantime, it will be observed steps are being taken in matters of detail to make the accounts theoretically more correct, as commercial accounts: and there are two of these trading accounts to which I invite the special attention of the Military Accounts Committee, as follows:—

A. *Medical Store Depots*.—An important new feature is the inclusion in the overhead charges of the cost of the Assistant Director General, Indian Medical Service (Stores) and his establishment. The year's working shows a loss of Rs. 1,77,225 which may be attributed partly to this factor. In connection with this loss the following other points of interest are to be noted:—

- (1) In respect of part of the loss Provincial Governments—which obtain certain medical supplies from the Medical Stores Depots—benefit at the expense of Central Revenues.
- (2) On the other hand the Army Estimates do not bear the whole of the loss as all the charges included in the trading accounts are not compiled in the regular accounts under the head "Army". Similarly when there is a profit the Army Estimates benefit by a greater amount than the figure of profit shown in the trading accounts.

It would be of interest I think to ascertain—

- (a) whether the administrative authorities anticipate continuance of the loss on the working of these depots, and
- (b) how the prices charged by the Depots compare with open market prices.

B. *Ordnance and Clothing Factories*.—Special attention is invited to the comments of the Director of Commercial Audit referred to in paragraphs 140-3 of the Director of Army Audit's report. The three points brought specially to notice are (a) the fictitious character of the profits shown, (b) the magnitude of the stocks held and (c) the high proportion of indirect charges.

ANNEXURE TO APPENDIX V (PARAGRAPH 6).

COPY OF PARAGRAPH 5 FROM LETTER NO. T.-281-REP./5-31, DATED THE 4TH JUNE 1931,
FROM THE AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF
INDIA, FINANCE DEPARTMENT.

SUBJECT.—*Appropriation Accounts of the Army, Marine and Military Engineer Services for
the year 1929-30 and the Report of the Director of Army Audit thereon.*

5. *Military Engineer Services.*—Once more the Military Engineer Services expenditure is marked by numerous and large variations from the original programme of works. It may be inevitable that this should be the case during the period of re-organisation : and such latitude is certainly permissible under the stabilised budget system. It is, however, relevant to observe that under a normal system of control of public expenditure it would be necessary for the Military authorities to define more exactly the scope of the original demand, than they do at present and in their expenditure to conform more closely to the scope of the demand as so defined. The comment here made will have increasing force in the future and I suggest that the Military Accounts Committee might profitably enquire of the Military authorities whether steps are being taken to arrive at a more stable and settled policy in the matter of Military Engineer Services expenditure.

Paragraph
99 of Direct-
or of Army
Audit's Re-
port.

APPENDIX VI.

Letter from Sir Ernest Burdon, Kt., C.S.I., C.I.E., I.C.S., Auditor General in India, to the Secretary to the Government of India, Finance Department, No. T.-654-Rep./7-32, dated the 28th June 1932.

Subject :—*Appropriation Accounts of Railways in India for the year 1930-31 and the report of the Director of Railway Audit thereon.*

With reference to rule 15 (1) of the Auditor General's Rules framed under Section. 96-D. (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Accounts of the Railways in India for the year 1930-31, together with two copies of the report thereon prepared by the Director of Railway Audit, for submission to the Committee on Public Accounts and for necessary action by the Government of India.

2. In my letter of last year commenting on the Appropriation Accounts for 1929-30, I drew attention to certain fundamental defects in the presentation of the Appropriation Accounts of Railways and expressed the opinion that both the Audit Department and the Public Accounts Committee have had inferior facilities for studying the annual Appropriation Accounts of Railways than are afforded in respect of any other set of Appropriation Accounts whether Central or Provincial. In the discussions which followed certain suggestions for improvement were brought forward of which the most important were that the Appropriation Accounts should be accompanied by a general picture of the financial results of the year, a general survey of the state of the financial administration as disclosed by the accounts, and an analysis of the results of the scrutiny conducted by the Railway Accounts Department as part of the internal check of Railway accounts. It was further proposed that it should be recognised as the function of the Railway Board and the Financial Commissioner, Railways, as Chief Accounting officer, to prepare and present these reviews. These suggestions were accepted by the Public Accounts Committee, and the Financial Commissioner, Railways, undertook to give effect to them. They have, however, not been carried out in the presentation of the accounts for 1930-31. The explanation is, I understand, that the last session of the Public Accounts Committee took place unusually late, and there was not time to arrange for the very considerable changes involved, the Appropriation Accounts being actually under preparation at the time the recommendations were recorded. It is possible that by the time the Public Accounts Committee meets to discuss the accounts of 1930-31, the Financial Commissioner, Railways, may be able to furnish both a financial review and an analysis of the results of internal check. But this even if accomplished would not be sufficient compliance with the requirements of principle which have now been laid down. The report of the Director of Railway Audit is intended to be complimentary to the Appropriation Accounts and the Financial Commissioner's review, and to be based upon them. On the present occasion the audit report is a detached document prepared independently of any exposition by the Financial Commissioner, and must therefore lack the full value which it should possess. I note in this connexion that even the bare Appropriation Accounts in their final form were only received by me on the 31st May, instead of on the 31st March 1932, the due date. The report of the Director of Railway Audit was received by me on the 23rd of April. I do not wish to underrate the difficulties which have stood in the way of complying with the Public Accounts Committee's recommendations immediately. But the matter, as has been recognised, is of very great importance; it is a question of securing to the Public Accounts Committee proper facilities for the scrutiny of Railway financial administration; and I am bound to continue to draw attention to the subject until the defects of procedure have actually been removed.

3. The Public Accounts Committee of last year found also that there was room for improvement in the form and content of the Report of the Director of Railway Audit. I have already explained that in preparing his report for 1930-31 the Director of Railway Audit has laboured under a certain disadvantage. Nevertheless, as explained in paragraph 3 of his introductory chapter the Director of Railway Audit has endeavoured to meet the essential point of the Public Accounts Committee's criticism. He has abstained from excessive treatment of detail and has confined himself in the main to questions of general principle and topics of general importance. I think that at any rate the report will be found to afford a useful starting point for further formulation of the requirements of the Public Accounts Committee and for further improvement.

I must add in this connexion that Mr. Badenoch, as Director of Railway Audit, completed the special enquiry entrusted to him, with the concurrence of the Public Accounts Committee, regarding the scope and method of test-audit of Railway accounts and the possibilities of effecting economy without losing efficiency: and it is hoped that by the time the Public Accounts Committee meets it will be possible to communicate information regarding the results of the inquiry.

4. The character of the audit report on the accounts of 1930-31 being as described in the preceding paragraph, I imagine, that the Public Accounts Committee will wish to study the whole of it with more than ordinary attention. It is not practicable for me at this stage to assist the Committee to any great extent by way of summary or interpretation. I may state that in the case, especially, of all the general questions brought to notice I consider the treatment accorded by the Director of Railway Audit to be suitable so far as it goes. But the next step should be to obtain the views of the administrative authorities: further *ex parte* comment by the audit department at this stage would be idle. I will, however, proceed to direct attention to some of the more conspicuously interesting questions which the Director of Railway Audit has raised.

5. In the first place I would advise the Public Accounts Committee to examine in full detail Chapter III of the Report, on "Basis of control of expenditure" which from the constitutional point of view is clearly the most important subject dealt with by the Director of Railway Audit on the present occasion. Serious defects in the existing system are brought to notice, *e.g.*,

- (a) The classification of expenditure represented by the Demands for Grants does not follow the classification of expenditure in the initial working accounts, on which the current control by the administrative and executive authorities is presumably based. The rather astonishing fact is revealed that in the latter accounts voted and non-voted expenditure are not recorded separately. The Demands for Grants on the other hand in some cases separate expenditure which is not in fact separate or separable.
- (b) As a corollary the Appropriation Accounts while they follow substantially the classification of the demands for grants do not correspond with the initial working accounts. The Appropriation Accounts are a recompilation in a widely different form from the initial accounts: and this amongst other things explains the delay which occurs in preparing them.

It would appear therefore that the existing system of Railway Accounts is not designed properly to assist the administrative authorities in *keeping expenditure within the scope of the individual demands voted by the Legislature*. If this is a correct statement of the facts the position is even less satisfactory than I had diagnosed it to be in my comments of last year. The accounts themselves and not merely the method of their presentation are defective.

6. Chapter IV of the Report deals with the control of expenditure as actually exercised in relation to the grants and appropriations of 1930-31: and the Director of Railway Audit suggests that the unsatisfactory results which he brings to notice should be regarded as further evidence of a state of affairs which was known to exist and for which the Railways had then set themselves to devise remedies. There can be no doubt that in 1930-31 control by the administrative authorities even through their own administrative instruments was ineffective: and the illusory character of control through the Appropriation Accounts has already been demonstrated. But in all the circumstances I think the Public Accounts Committee may properly give more attention to what is general than to what is particular in this section of the Report. At the same time I invite special attention to the Director of Railway Audit's observations in paragraphs 46, 47, 48, and 49—51.

7. In chapter V of his report the Director of Railway Audit presents material, the result of his test audit for the year, which is intended to give the Public Accounts Committee a means of judging (a) the efficiency of the accounting and internal check machinery and (b) the efficiency and regularity of the administration of expenditure by the Executive and Administrative Railway authorities. For the elucidation of the second part of the subject matter the Director of Railway Audit has selected the more important cases of financial irregularity, fraud, apparently nugatory expenditure and so forth, and has

grouped these cases in the manner which in his opinion is likely to be most effective for the main purpose of the Public Accounts Committee, namely, to obtain a general picture of the state of the financial administration in its application to individual Railway transactions. *Prima facie*, I fully approve the method of treatment here adopted by the Director of Railway Audit. For the reason which I have already indicated in paragraph 4 of this letter, I have no comment to offer at this stage on particular items.

8. Chapter VI of the report deals with the results of the audit of stores transactions. Here again the arrangement of the material appears to be convenient: and I have no present comment to add on individual matters.

9. Chapters VII and VIII of the report deal with certain special topics practically all of which have been the subject of special investigations by audit. Occasional inquiries of this kind represent in my opinion one of the most profitable directions in which test-audit can be applied and I think that the Public Accounts Committee will be interested in the results which the Director of Railway Audit has been able to produce on the present occasion. All the cases deserve to be studied *in extenso* by the Committee. I add the following observations as regards three of them.

(a) *Results of the Bombay Electrification Schemes (paragraphs 179 et seq of the report)*—This is a subject which has already attracted the attention of the Public Accounts Committee. The present analysis by the Director of Railway Audit does not pretend to be more than a first approximation and it is anticipated that the Railway Department may not be prepared fully to accept the conclusions which have been suggested. It is clear, for example, that the present abnormal depression must have upset the original calculations, but audit by itself is not in a position to discount with precision the effect of the depression or to estimate what would have been the results of the electrification schemes had 1930-31 been a normal year. The figures given for the suburban schemes on the Great Indian Peninsula and Bombay, Baroda and Central India Railways indicate however that the estimates have been very far from being justified by the actuals of the years before the present depression became pronounced.

(b) The Director of Railway Audit's discussion of certain aspects of over-capitalisation on Railways (paragraphs 208-213 of the report and in particular the last sentence of paragraph 213) raises a very wide question of general principle which it seems proper to bring forward now and which may be stated as follows. The Legislative Assembly on the 21st September 1928 appointed a committee to review the separation of railway finance from general finance. This committee met in February and March 1929 and appointed a sub-committee to which it made certain terms of reference dealing with the constitution of the Depreciation Fund, the method of allocating expenditure on renewals, the desirability of instituting a betterments fund, of providing for amortisation of capital, of continuing the contribution to general revenues and other important questions. The sub-committee held one meeting in June 1929, but, as far as is known, there have been no further meetings. This committee is no longer in existence, and it is not known whether any further steps have been taken to examine the working of the financial system of Indian railways which was the basis of the separation convention, and to reach a decision about the rules which should govern in the future allocation between revenue and capital, expenditure on renewals and betterments, amortisation of railway debt and so forth. It seems to be necessary that the Government of India should come to some decision on these very important questions for two reasons. In the first place, there is justification for believing that the present rules lead to considerable inflation of the capital accounts, and, if the future financial position of railways is not to be prejudiced, it is necessary to ascertain the truth in connection with this matter and to take necessary measures for the future. In the second place, it is probable that there will be legislation in the not very distant future to settle the position of railways in the new constitution and their form of administration. The Railway Act governing the administration of Railways in the future, will presumably lay down the financial principles to be observed. It is clear that a great deal of research work must be done before decision on complicated financial and accounting problems can be reached, and it is essential that the decision on these important matters should not be hasty. It appears, therefore, to be a matter of immediate importance that Government should take steps to continue the inquiry which was instituted in 1928 in order

that a comprehensive financial scheme may be prepared for incorporation in the Bill dealing with railways which is likely to be required.

(c) *Depreciation Fund Accounts—paragraphs 78 and 214—220 of the report.*—I am asking the Director of Railway Audit to prepare a memorandum for the Public Accounts Committee giving the results of his scrutiny of the *pro forma* depreciation fund accounts of Company-managed Railways maintained by the Railway Board. According to my latest information there appears to be some doubt whether these accounts sufficiently represent realities. It has also been suggested to me that it is questionable whether the maintenance of elaborate accounts in the present form really serves any essential purpose and that it would be more economical and might be as effective to maintain a general renewals fund built up by percentage contributions on the capital at charge.

10. To conclude, the general picture presented by the accounts of the year and the results of audit certainly cannot be regarded as affording ground for satisfaction. In view of this and of the volume of criticism and suggestion which has to be dealt with I venture to suggest that it would be convenient for the material to be examined in the first instance by a sub-committee of the Public Accounts Committee in consultation with the Financial Commissioner, Railways, and the Director of Railway Audit, the provisional conclusions of the sub-committee being submitted for consideration by the main committee. This is the procedure followed in the case of the Military Account which is a less complex and a less difficult account to examine.

APPENDIX VII.

Memorandum of doubtful cases of "New Service" appearing in the Accounts for 1930-31, furnished by the Auditor General with reference to paragraph 31 of the Report of the Public Accounts Committee on the Accounts of 1927-28.

[Central (Civil) Appropriation Report.—Page 138, Grant No. 59, sub-head — R.—Charges for Locust Control Operations']

1. It will be seen that there is a charge of Rs. 25,388 for which no provision was made in the original budget. The question whether this constituted a "New Service not contemplated in the budget" for the purpose of rule 50 of the Indian Legislative Rules was not mentioned in the Report of the Accountant General as the matter was under discussion when that Report issued. It has been explained by the Government of India that the expenditure in question was classified in the Memorandum which was placed before the Standing Finance Committee in January 1931, as in respect of a "New Service" on the ground that it was incurred in connection with a new activity which had not previously been undertaken by the Central Government. The total expenditure involved was also fairly substantial, though approximately two-thirds of it was recoverable from the Governments of United Provinces and Punjab. The Government of India are accordingly of opinion that the expenditure should be classified as being in respect of a "New Service". Standing Finance Committee however apparently omitted to discuss this aspect of the case as no allusion is made to it in the proceedings of that body, and possibly this is why no steps have been taken to obtain, during the currency of the year, a supplementary grant from the Legislature for expenditure on this new service. Now that the year has closed, the expenditure remains to be regularised by a *token excess vote* to be obtained from the Legislative Assembly in accordance with a recent decision given by the Government of India.

2. The decision referred to in the previous paragraph because of its importance is repeated *in extenso* below :—

"During the currency of the year, expenditure upon a new service, not contemplated in the budget of that year, has to be covered by a specific vote from the Legislative Assembly. This vote has to be for the full amount of the expenditure if no savings exist to meet it, *vide* rule 50 (i) (ii) of the Indian Legislative Rules. When funds to meet the expenditure can be made available by re-appropriation, a demand for the grant of a token sum only may be submitted to the vote of the Assembly under proviso to the same rule.

"2. After the close of the year, rule 49 of the Indian Legislative Rules provides for the presentation of demands for excess grants. This rule is expressed to apply 'when money has been spent on any service * * * in excess of the amount granted for that service'. These words clearly postulate that some amount has been granted for the service on which excess expenditure is incurred and consequently have the effect of excluding the case of expenditure on a new service from the operation of that rule. It is clear, however, on a comparison of rule 49, with sub-rule (1) of rule 50 that the omission to provide in rule 49 for the case of expenditure on a new service is in the nature of a *lacuna*. As it is not considered worth while to propound an amendment of the rule at this juncture, it has been decided to treat rule 49 as applicable in the case of expenditure on a new service and to apply the rule in such cases as though it contained a proviso corresponding with the proviso to sub-rule (1) of rule 50 of the Indian Legislative Rules."

3. In connection with this decision the question has been raised in the *addendum* to paragraph 36 of the report of the Director of Railway Audit whether the expenditure on the Kadu Lake Scheme, reported in paragraph 112 of the Railway

Appropriation Report for 1928-29 as a new service, and accepted as such by the Public Accounts Committee and the Government of India, should not now be regularised by an excess token vote of the Assembly. The Public Accounts Committee may also wish to consider whether excess votes should now be obtained for other cases of this kind, which have occurred in previous years. The Public Accounts Committee has not suggested in any such case that the expenditure as incurred was not in the public interest : and in order to avoid barren formalities may think it sufficient to make a general recommendation that such cases should be tacitly condoned.

APPENDIX VIII.

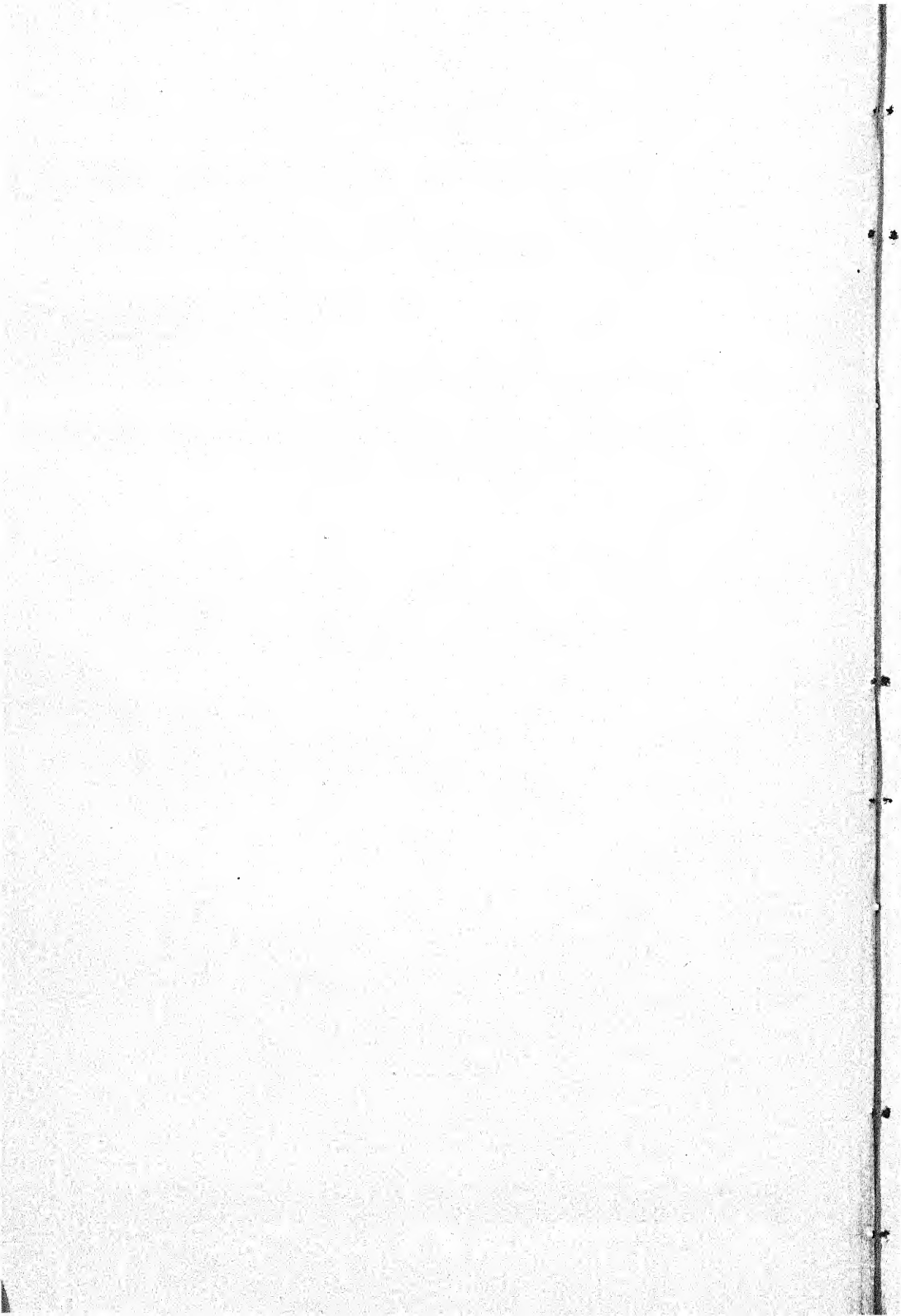
Memorandum regarding the introduction of piece-work bonus system on State Railways, furnished by the Railway Department with reference to paragraph 44 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

In paragraph 44 of the Proceedings relating to the Accounts of the year 1929-30, the Public Accounts Committee made the following observations on the subject of piece-work and bonus system, etc., in workshops :—

“ The Committee was informed that a beginning had been made in the North Western Railway in introducing the piece-work system detailed in paragraph 419 of the Railway Workshops Committee's Report, but that the time was not opportune for its extension to other Railways as it might lead to labour disturbances. The Committee accepted this explanation for holding up the extension of the system to all the Railways, but thought that the first opportunity should be taken to proceed with this so that the saving attributed to the system on the North Western Railway might be realised elsewhere. The Committee desired to be informed next year about the progress of the scheme ”.

2. The State Railway Workshops Committee which visited the railway workshops in 1926, had commented adversely on the bonus system formerly in vogue on the North Western Railway and recommended its replacement by a more scientific system based on accurate timing of individual operations carefully carried out by a skilled rate-fixer with considerable experience. In accordance with this recommendation, the piece-work system has been introduced in the workshops at Moghalpura with satisfactory results.

3. Somewhat similar systems of payment by results are in force in the Workshops of the other State Railways, but their application is confined to manufacturing operations only, and any extension on the North Western Railway system which covers practically all manufacturing and repair operations to the State Railway Workshops generally would present serious difficulties. This question has been under consideration since 1928, but as the majority of railway workshops are carrying a surplus staff and working considerably below their maximum capacity, the introduction of piece-work system will result in the surplus staff being further increased and will, therefore, entail heavy reductions of staff in workshops, if unnecessary expenditure is to be avoided. Already last year, as a result of the serious decline in the volume of traffic and other operations of Railways, nearly 13,000 workshop employees were discharged from the service on the State-managed Railways while for the same reasons the Government of India have recently authorised the resumption of staff retrenchment which it is anticipated will entail the discharge of another 2,000 workshop employees on those Railways. Last year the Public Accounts Committee was informed that the time was not opportune for extension of the piece-work system to other Railways as it might lead to labour disturbances. In view of what is said above, the position is still much the same. Moreover, any extension of the piece-work system postulates an accurate record of the time required to complete any given task—a highly complex matter which would entail a minute examination by special officers. The Railway Board are accordingly of the view that the question of extending the piece-work system must await the return of normal conditions.



APPENDIX IX.

Memorandum regarding Customs Revenue Audit, furnished by the Auditor General with reference to Paragraph 61 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1928-29.

The question has, for some time past, been under consideration whether the arrangements for the safeguarding of the Customs revenue are in every way sufficient and suitable. I was brought into the discussion shortly after I became Auditor General and in July 1930 I informed the Public Accounts Committee that I would submit to Government a definite and full opinion on the subject, with certain constructive suggestions, as soon as I had leisure to do so. This promise was duly carried out. In addressing Government I discussed three possible means of strengthening or improving the arrangements, namely (a) by introducing a system of administrative inspection and supervision from headquarters, on the analogy of the inspections of the offices of Accountants General, carried out by the Deputy Auditors General acting on my behalf, which was then in force, (but has since been greatly modified as a measure of retrenchment); (b) by strengthening the system and practice of internal check—which is a function of the Customs Department itself; and (c) by reforms in the system of external audit—which is a function of my department—and giving it possibly a wider range so as to embrace some of the functions of administrative inspection. Of these three courses, the first was held at the time to be unnecessary, unsuitable, and to involve undue expense. I understand however that the Finance Department now propose to examine this matter again now that they have before them the report by the officer who recently carried out a special inquiry in regard to the third course, namely the improvement of the external audit. As regards the second course, it was agreed that it would be desirable to strengthen the system of internal check when funds permitted. For the time being, on grounds of expense, the suggested reforms were put on one side. But this question also is now to be revived in the light of recommendations resulting from the special inquiry into external audit which has already been mentioned. As regards the third course, the Public Accounts Committee was informed at its last session that I had instituted a special inquiry. This has now been completed and I am in a position to make a definite statement of the conclusions arrived at and the action taken.

By way of further preliminary, I must explain that during the summer of 1931, I had occasion to clarify and develop my own ideas as regards the function which the Auditor General's Department should be expected to discharge in the audit of Customs revenue. The financial emergency and the consequent search for economy pointed clearly to the necessity of confining audit strictly to its own financial sphere. Considerations of abstract principle, and of practice elsewhere, were found to support the same view of policy. It was these influences which led, as a measure of retrenchment, to the abolition of the specialist Commercial and Press Audit Branch, commercial and press audit being decentralised and completely fused with general audit: and the same idea was from the start placed in the fore-front of the special inquiry into the audit of Customs Revenue.

2. The Officer selected to carry out the special inquiry was Mr. R. L. McKernan, I.C.S., who had previously been officiating Accountant General, Bombay. He commenced his task early in November 1931 and completed it on the 30th April 1932. In the course of his special duty he visited each Custom House twice, the first time for the purpose of investigation and the second time for the purpose of actually installing the new system of audit which the inquiry enabled myself and Government to decide upon summarily.

3. The terms of reference to Mr. McKernan were :—

- (i) Whether the future policy should be that the Auditor General's audit of Customs Revenue should be a purely financial audit on the lines of that conducted in England, or should partake to any extent of the nature of an administrative audit or inspection.
- (ii) Whether centralised audit by the Examiners of Customs Accounts should continue or should be replaced by a decentralised audit under the supervision of the local Accountants General; and, if the latter is preferred,

whether and how the audit should be co-ordinated *vis-a-vis* the Central Board of Revenue.

- (iii) If audit by the Examiner is continued whether it should be peripatetic or in any measure concurrent at the ports other than Calcutta, where there already was concurrent audit.
- (iv) How can expenditure on Statutory audit be best limited without sacrificing essential efficiency.

I had already stated that audit is not and should never be regarded as the sole or even the principal means of improving the administration of the Customs Department. If the system of internal check on the Accounts side of the Customs Department is found defective, as not being sufficiently independent or for some other cause, the correct remedy is to improve the system of internal check itself and not for that reason to multiply the Statutory audit or make it assume the responsibilities of the internal check authority. Mr. McKernan was aware of this view of mine and was required to direct his inquiry accordingly.

4. Owing to the length of time that the matter had been under discussion I was from the start fairly well informed both on the theoretical and the practical aspects of the issues requiring decision. And so at an intermediate stage of Mr. McKernan's inquiry I found it possible to suggest final conclusions on certain primary points of principle. In this way it was first decided—

- (1) that the statutory audit should in future be of a purely financial character and should not be of the nature of administrative audit or inspection ;
- (2) that the audit need not be extensive and should in essence be a test-audit, and
- (3) that while the auditors carrying out the initial audit must necessarily be specially trained in and have experience of Customs revenue audit it is not necessary to employ a specialist officer to supervise the audit, that is to say, a specialist in Customs Law and Administration.

5. On receiving Mr. McKernan's final report there was no difficulty in coming to a conclusion at once on the few remaining questions of principle. The Government of India, agreeing with me, held that the correct policy to adopt is to institute a decentralised financial test-audit of Customs revenue under the supervision of the Maritime Accountants General. The audit should embrace both the audit of ships' files and also the current audit of individual transactions relating to the assessment and collection of Customs Revenue. The former is a primary essential, since it must be a primary duty of audit to satisfy itself that a correct procedure exists for the assessment and collection of the revenue as a whole and that the procedure is correctly and regularly observed in practice. The latter may be regarded as perhaps not so important. It will amount in a sense to repeating work already done by the internal check department of the Custom House. This, however, is a feature in all audit ; and the audit of current transactions, as distinguished from the audit of ships' files, is also an important means of obtaining evidence that the procedure is being correctly observed, while in addition it is felt that such a continuous scrutiny of the daily routine of the Custom House must have at least a psychological influence of definite practical value.

A particularly important feature of the arrangement thus decided upon is that it provides for the introduction of concurrent audit or rather resident audit at all ports ; and it has from the beginning been agreed on all hands that concurrent audit is markedly superior to peripatetic post-audit.

By transferring the duties of supervision from the Examiner of Customs accounts to the Maritime Accountants General it has been found possible to abolish the appointments

of Examiner and Assistant Examiner of Customs Accounts: and, on the whole scheme, to reduce expenditure by Rs. 10,000 per annum.

The scheme has been adopted experimentally in the first instance for a period of three years.

6. The new arrangements described in some further outline are as follows:—

- (1) The initial audit will be carried out by a staff of trained and experienced auditors working inside the Custom House under the supervision of the local Accountant General. In the case of Karachi, the duties of supervision have been allotted to the Audit Officer, Lloyd Barrage and Canals Construction.
- (2) The Maritime Accountants General and the Audit Officer, Karachi, are required to perform, *vis-a-vis* the local Collector of Customs, all the functions previously performed by the Examiner of Customs Accounts. In addition to direct audit responsibility, they will deal with all the references on Customs revenue audit arising within their jurisdiction.
- (3) The Accountant General, Central Revenues, will be the co-ordinating Principal Auditor of Customs Revenue. It will be his function to ensure that there is a sufficient measure of uniformity in the audit carried out locally at the various ports. The Maritime Accountants General will submit to the Accountant General, Central Revenues, *annually* reports on individual cases of importance that have arisen in audit in the year, and will also submit a brief general report summarising the results of their audit of Customs Revenue. The material thus provided will be consolidated by the Accountant General, Central Revenues, who will be responsible to place before the Public Accounts Committee (included in his Appropriation Accounts and Report) a statement on the results of the audit of Customs Revenue.

Throughout the year the Accountant General, Central Revenues, in his capacity as co-ordinating Principal Auditor, will maintain contact with the Central Board of Revenue taking the place in this respect of the Examiner of Customs Accounts.

7. The advantages claimed for the new system are as follows:—

- (a) Concurrent or resident audit has replaced peripatetic post-audit. The initial audit will be continuous and will also be larger in total volume. Time formerly spent in travelling will be given to actual audit.
- (b) The supervision of the audit will be carried out locally and continuously by an officer of status at least equal to that of the Collector of Customs instead of by a peripatetic Examiner—an officer in Class II of the Indian Audit and Accounts Service, *i.e.*, a very junior officer. The Examiner by reason of continuous employment on Customs audit gained certain expert knowledge of Customs administration which was no doubt of value. But it is believed that the loss of this will be at least counterbalanced by the greater general experience and authority of the Maritime Accountants General: while it is reasonable to anticipate that Accountants General will very soon become as competent to supervise this type of audit as the other miscellaneous types of audit which are already their responsibility. There is at any rate a clear extra advantage in having a senior audit officer present at all times to settle differences, if need be in personal discussion, with the Collector of Customs.
- (c) The duties of co-ordination and report, *vis-a-vis* the Central Board of Revenue, the Government of India and the Public Accounts Committee, will similarly be allotted to a senior officer instead of a junior officer—to the Accountant General, Central Revenues. The latter is the Accounts Officer of the

Central Board of Revenue and the Government of India in respect of all their other financial transactions. The arrangement fits conveniently into the general plan of our accounts and audit organisation whereas the former arrangement was admittedly an excrescence.

- (d) The new arrangement will relieve Collectors of Customs of the inconvenience caused by the necessarily intensive character of the peripatetic inspections. This, combined with the reception and disposal of inspection reports which presented the results of inspection *en masse*, tended to interrupt and dislocate current business—a rather serious objection in the case of Customs administration.
- (e) The arrangement is clearly economical. “Waste” expenditure (I am referring mainly to the cost of transporting the Examiner and his staff to every port in India and Burma once every eighteen months or so) has been eliminated. Actually, as already stated, a net saving of Rs. 10,000 a year has been secured while it is believed that there will be a gain in efficiency also.

APPENDIX X.

Memorandum regarding the preparation of a *pro-forma* account of the Experimental Fruit Farm at Quetta on a Commercial basis, furnished by the Auditor General with reference to paragraph 112 of the proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

Paragraph 2 of the Important Comments at page 281 of the Appropriation Report for 1930-31 mentions that the Auditor General had promised to make arrangements for the preparation of *pro-forma* accounts on a strictly commercial basis, but that it was not possible at the time of issue of the Report to include such an account in it owing to the lack of certain information. Such information has now been supplied and on its basis the appended Trading and Profit and Loss Account for the year ended 31st March 1931 (Annexure) has been drawn up indicating a net loss for the year of Rs. 21,210 as compared with the loss of Rs. 7,287 shown in paragraph 2 of the Important Comments. Of the loss worked out on the commercial basis, as much as Rs. 14,440 is due to the depreciation of Fruit Trees, Rose Trees, Nursery stock and Punnets and Crates during the year. In this connection the Assistant Revenue Commissioner, Baluchistan, reports as follows :—

“As no regular accounts were maintained in the past on the valuation of fruit trees, rose plants and nursery stock, the figures (of valuation) intimated by the Agricultural Officer are nothing more than a rough estimate. The increase in the loss is due to the fact that depreciation charges have been worked out on commercial basis which was not done in previous years. The depreciation of nursery plants and fruit trees is also due to physical deterioration. Steps are, however, being taken by the Agricultural Officer to remove old nursery stock and trees in order to make room for research work on various stocks, manuring, pruning, etc.”

It is evident that the value of these accounts depends a great deal on the accuracy of valuations made at the beginning and the end of the year, and that special attention should be given to this point.

2. The following indirect charges have not been included in the Profit and Loss Account :—

					Rs.
(a) Leave and pension contributions	..	..	..	..	1,373
(b) Interest on capital	..	..	..	..	5,312
(c) Audit fees	..	..	..	..	159
					<hr/>
Total	..				6,844
					<hr/>

It is not the practice to include such indirect charges in the commercial accounts of Government farms [see paragraph 149 of the Appendix to the Appropriation Accounts of the Central Government (Civil) for the year 1928-29].

ANNEXURE TO APPENDIX X (Pages 152—155).

Fruit Farm (Experiment Station), Quetta, Balance Sheet as at 1st April 1930.

LIABILITIES.		ASSETS.	
	Rs.		Rs.
Government Capital Account	1,05,940	Lands	25,916
		Buildings	25,178
		Furniture and Fixtures	600
		Live Stock	80
		Tools and Plants	3,500
		Stock in hand :—	
		Fruit trees	40,000
		Flower trees	2,000
		Nursery Stock	7,500
		Punnets and Crates	309
		Sundry Debtors	857
Total ..	1,05,940	Total ..	1,05,940

Fruit Farm (Experiment Station), Quezon, Balance Sheet as at 31st March 1931.

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LIABILITIES.

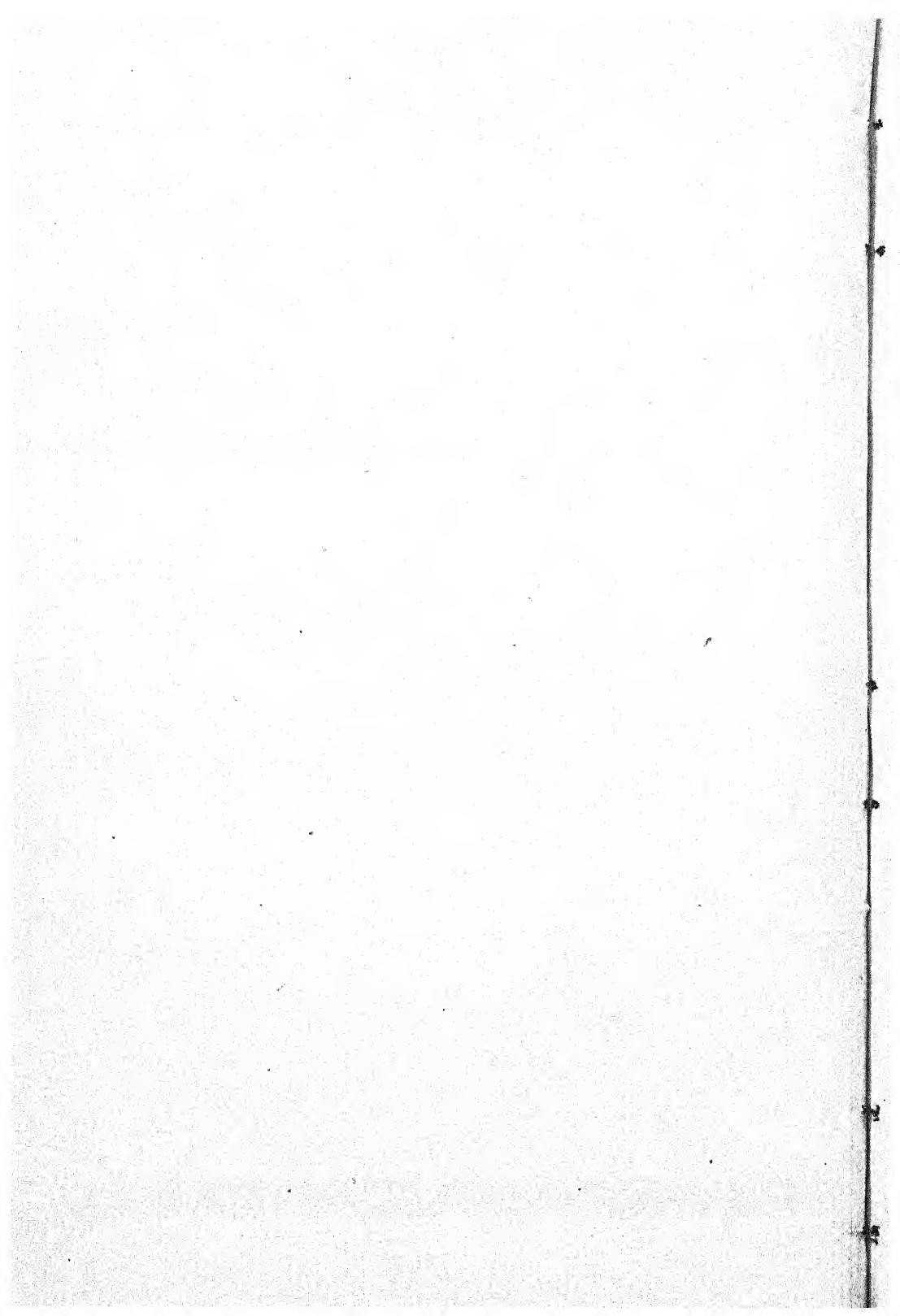
LIABILITIES.		Ra.	Ra.	ASSETS.	Ra.	Ra.
Government. Capital Account as at 1st April 1930	1,05,940	..	Land	25,916
Deduct—Payments into Treasury during the year (Rs. 857 Account 1929-30 and Rs. 8,508 Account 1930-31)	..	9,365	..	Buildings as at 1st April 1930	..	25,178
				Less—Depreciation written off	..	629
				Furniture and Fixtures as at 1st April 1930	600	24,549
				Additions during the year	3	
Add — Withdrawals from the Treasury during the year ..	..	96,575	..	Less—Depreciation written off	603	
					63	
				Live Stock as at 1st April 1930	80	540
			1,12,444	Additions during the year	220	
					300	
				Less—Write-off on account of condemnations	92	
				Tools and Plants as at 1st April 1930	3,500	208
				Additions during the year	167	
				Less—Depreciation written off	3,667	
					467	3,200
				Stock-in-hand—		
				Fruit trees ..	30,000	
				Flower trees ..	1,625	
				Nursery ..	3,500	
				Punnets and Crates ..	244	
				Sundry Debtors ..	..	35,369
				Net Loss during the year (or cost of Education and Research)	..	1,452
					..	21,210
Total	..	1,12,444	Total	..	..	1,12,444

Fruit Farm (Experiment Station), Quetta, Trading and Profit and Loss Account for the year ended 31st March 1931.

	Rs.	Rs.	Rs.
To Commencing Stocks :—			
Fruit trees ..	40,000	By sales of :—	
Rose trees ..	2,000	Fruits ..	4,100
Nursery stocks ..	7,500	Vegetable ..	1,494
Punnets and Crates ..	309	Nursery Plant ..	3,855
		Fodder ..	41
To purchases :—	49,809	Flowers ..	375
Stock and seeds ..	395	Punnets and Crates ..	5
Manure ..	125		<u>9,870</u>
		By Ending stocks :—	
To cost of labour employed ..	520	Fruit trees ..	30,000
To Irrigation charges ..	1,490	Rose trees ..	1,625
To feed of livestock ..	2,423	Nursery stock ..	3,500
To depreciation on tools and plants ..	298	Punnets and Crates ..	244
	467		<u>35,369</u>
	<u>55,007</u>	By Gross Loss (Carried down)	9,768
To Gross Loss (brought down) ..	9,768		<u>55,007</u>
To pay of permanent establishment ..	4,486	By Miscellaneous Receipts ..	20
To pay of non-pensionable establishment ..	5,558	By Net Loss during the year (or cost of Education and Research) ..	21,210
To travelling allowances ..	226		
	<u>10,270</u>		
To petty works and repairs ..	360		
To Miscellaneous expenses ..	118		
To book value of livestock condemned ..	92		
Deducts sale-proceeds of condemned live-stock ..	70		
	<u>22</u>		
To Depreciation on Buildings ..	629		

To Depreciation on Furniture and Fixtures ..	63	692	
Total ..	..	21,230	
<i>Indirect charges not included in the accounts are :—</i>			
Interest on Capital ..	..	5,312	
Audit fees ..	..	159	
Leave and Pension Contributions ..	..	1,373	
Total ..	..	6,844	

Total .. 21,230



APPENDIX XI.

Report showing the latest results of retrenchment programme in the Scientific Departments under the control of the Department of Industries and Labour, furnished by that Department with reference to paragraph 155 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

PART I.

Grant No. 49.— Meteorology.

Full details of retrenchment effected in the Meteorological Department are given in the list enclosed with the letter from the Government of India, Department of Industries and Labour, No. G.-659, dated the 9th February 1932 (Annexure)*. Retrenchment in this Department has been completed and no item is outstanding.

2. There are no general observations at present to make in the position emerging after the retrenchments.

*Please also see Annexure B to this part of the Appendix.

ANNEXURE A TO PART I OF APPENDIX XI.

LETTER FROM THE UNDER SECRETARY TO THE GOVERNMENT OF INDIA, DEPARTMENT OF INDUSTRIES AND LABOUR, TO THE DIRECTOR GENERAL OF OBSERVATORIES, POONA, No. G.-659, DATED THE 9TH FEBRUARY 1932.

I am directed to say that after careful consideration of the recommendations made by the General Purposes Sub-Committee of the Retrenchment Advisory Committee relating to the India Meteorological Department, the Governor General in Council has decided that the measures of retrenchment detailed in the accompanying list (enclosure) should be given effect to from a date not later than the 1st March 1932.

ENCLOSURE TO ANNEXURE A TO PART I.

List of measures of retrenchment in the India Meteorological Department.

Serial No.		Budget Head.	Amount. Rs.
1	Abolition of the Delhi Meteorological Office including the pilot balloon station :—		
	1 Meteorologist on Rs. 400—50—1,250		
	1 Assistant Meteorologist on Rs. 250—25—800	A-1	
	1 Professional Assistant on Rs. 200—15—290—20—450		
	1 Head Clerk on Rs. 150—5—200		
	1 Inspector of Observatories on Rs. 100—125—150—5—225.		
	6 Clerks on Rs. 75—4—155—5—175		
	1 Typist and Cashier on Rs. 75—4—155—5—175	K.-1	
	Cashier's allowance at Rs. 20 per mensem		
	1 Junior Observer on Rs. 40—4—120		
	2 Upper Air Observers on Rs. 40—4—60		
	1 Balloon Maker on Rs. 20—1—30		
	2 Peons on Rs. 14—1/5—16		
	Allowances	K.-2	5,600
	Supplies, Services and Contingencies	K.-3	11,500
	Weather telegram charges	B.	1,58,000
2	Reduction of Rangoon Office to the status of a pilot balloon station :—		
	1 Meteorologist on Rs. 400—50—1,250		
	1 Assistant Meteorologist on Rs. 250—25—800	A.-1	
	2 Professional Assistants on Rs. 200—15—290—20—450 (1 post sanctioned for Akyab)		
	1 Head Clerk on Rs. 150—5—200		
	1 Inspector of Observatories on Rs. 100—125—150—5—225.		
	8 Clerks on Rs. 40—4—120	L.-1	
	1 Stenotypist on Rs. 80—5—120—4—172—175		
	1 Senior Observer on Rs. 80—5—120—4—172—175		
	1 Balloon Maker on Rs. 20—1—30		
	4 Peons on Rs. 17½—½—20—1/5—22		
	Allowances	L.-2	12,300
	Supplies, Services and Contingencies	L.-3	13,600
	Weather telegram charges	B.	1,71,000
3	Discontinuance of temperature mast work at Karachi :—		
	1 Observer on Rs. 40—4—120	J.-1	
	Maintenance charges	J.-3	600
4	Reduction of the Madras Observatory to the status of pilot balloon station :—		
	1 Assistant Meteorologist on Rs. 250—25—800	A.-1	
	1 Assistant on Rs. 100—5—175		
	5 Clerks and Observers on Rs. 35—40—4—120—3—135		
	1 Printer on Rs. 20—1—40		
	1 Sponge-man on Rs. 16-8-0	F.-1	
	2 Workmen on Rs. 15		
	1 Peon on Rs. 18		
	4 Peons on Rs. 16-8-0		
	2 Lascars on Rs. 15		

Serial No.		Budget Head.	Amount. Rs.
4	Reduction of the Madras Observatory to the status of a pilot balloon station :—(concl'd.).		
	Allowances	F.-2	700
	Supplies, Services and Contingencies	F.-3	2,300
	Weather telegram charges	B.	15,000
	The rest of the Madras staff consisting of 1 Assistant on Rs. 100—5—175, 1 Senior Observer on Rs. 80—5—120—4—172—175, 1 Observer on Rs. 35—40—4—120—3—135, 1 Observer on Rs. 40—4—120 and 2 Peons one of whom will be appointed as a Balloon Maker on Rs. 20—1—30 will continue as staff for the pilot balloon station. The pay of the peon for the pilot balloon station will be Rs. 19-8-0.		
5	Abolition of 4 Pilot Balloon Stations at Aden, Seychelles, Tougoo and Dardoni :—		
	3 Senior Observers on Rs. 80—5—120—4—172—175 ..	} H.-1	
	4 Junior Observers on Rs. 40—4—120		
	3 Junior Observers on Rs. 40—2—80		
	2 Balloon Makers on Rs. 20—1—30 and Rs. 22 respectively.		
	Allowances for the four stations	H.-2	2,940
	Supply, Services and Contingencies	H.-3	10,600
	Two Observers on Rs. 40—4—60 sanctioned for Dardoni but employed for some time at Quetta and Peshawar will continue at these places.		
6	Stoppage of broadcasting weather messages	B.	42,000
7	Discontinuance of the grant of Research Scholarships	A.-3	2,400
8	Reduction in English charges on Stores	O.	64,000
9	Contingencies at Agra.. .. .	H.-3	15,000
10	Weather telegrams from retrenched pilot balloon stations at Aden, Seychelles, Tougoo and Dardoni and minor curtailments in telegrams elsewhere	B.	14,600

ANNEXURE B TO PART I OF APPENDIX XI.

Statement showing the anticipated receipts and expenditure for 1932-33, actuals for 1929-30 and 1930-31 and revised estimates for 1931-32, relating to Demand No. 49.—Meteorology.

Sub-heads.	Actuals, 1929-30.	Actuals, 1930-31.	Revised estimates, 1931-32.	Budget estimates, 1932-33.
	Rs.	Rs.	Rs.	Rs.
A.—POONA OFFICE—				
A. 1.—Pay of Officers (For all the officers of the Department)—				
Non-voted	30,328	39,120	86,000	72,500
Voted	1,72,267	1,94,618	1,75,900	1,49,300
A. 2.—Pay of Establishments ..	1,49,454	1,48,835	1,39,900	1,49,900
A. 3.—Allowances, Honoraria, etc.—				
Non-voted	6,402	3,116	2,900	3,300
Voted	21,624	14,162	10,500	16,800
A. 4.—Postage and Telephone charges	7,710	6,287	6,000	6,500
A. 5.—Supplies and Services and Contingencies—				
Non-voted	70,098	1,14,646	13,600	..
Voted .. .. .	..	..	47,200	44,100
A. 6.—Deduct—Recoveries ..	—582	—985	..	..
Total for Poona Office ..	4,57,301	5,19,799	4,82,000	4,42,400
B.—WEATHER AND OTHER TELEGRAM CHARGES (INCLUDING LATE FEE CHARGES, ETC.)	2,16,135	3,32,677	5,34,000	5,38,000
C.—SUBSIDY PAID TO THE GOVERNMENT OF BURMA TOWARDS UPKEEP OF WIRELESS STATION AT DIAMOND ISLAND ..	1,500	1,500	1,500	1,500
D.—ALIPORE OFFICE—				
D. 1.—Pay of Establishments ..	61,407	59,674	61,000	59,100
D. 2.—Allowances, Honoraria, etc. ..	24,152	21,145	14,500	17,500
D. 3.—Supplies and Services and Contingencies	23,470	24,896	17,700	19,000
Total for Alipore Office ..	1,09,029	1,05,715	93,200	95,600
E.—KODAIKANAL OBSERVATORY—				
E. 1.—Pay of Establishments ..	14,072	15,292	15,100	13,300
E. 2.—Allowances, Honoraria, etc.—				
Non-voted	4,111	1,599	..	2,300
Voted	1,753	523	600	800
E. 3.—Supplies and Services and Contingencies	5,238	6,327	5,200	4,600
Total for Kodaikanal Observatory .	25,174	23,741	20,900	21,000

Sub-heads.	Actuals, 1929-30. Rs.	Actuals, 1930-31. Rs.	Revised estimates, 1931-32. Rs.	Budget estimates, 1932-33. Rs.
F.—MADRAS OFFICE AND OBSERVATORY—				
F. 1.—Pay of Establishments ..	12,035	12,433	12,300	..
F. 2.—Allowances, Honoraria, etc. ..	761	693	300	..
F. 3.—Supplies and Services and Con- tingencies	4,375	4,954	4,900	..
Total for Madras Office, etc. ..	17,171	18,080	17,500	..
G.—BOMBAY OFFICE AND OBSERVATORY—				
G. 1.—Pay of Establishments ..	21,765	21,015	19,600	18,400
G. 2.—Allowances, Honoraria, etc.—				
Non-voted .. ..	..	..	1,900	2,300
Voted	2,326	2,851	500	400
G. 3.—Supplies and Services and Con- tingencies	9,719	13,294	9,700	11,300
Total for Bombay Office, etc. ..	33,810	37,160	31,700	32,400
H.—AGRA AEROLOGICAL OBSERVATORY—				
H. 1.—Pay of Establishments ..	96,384	1,20,353	1,19,100	1,26,400
H. 2.—Allowances, Honoraria, etc.—				
Non-voted	19,124	21,300	..	500
Voted .. ..	..	..	18,900	25,400
H. 3.—Supplies and Services and Con- tingencies	81,619	1,10,516	1,10,100	87,000
Total for Agra Aero logical Obser- vatory	1,97,127	2,52,169	2,48,100	2,39,300
I.—OTHER OBSERVATORIES—				
I. 1.—Pay of Establishments ..	..	493	5,900	6,900
I. 2.—Allowances, Honoraria, etc. ..	52,304	64,981	68,000	73,900
Total for other Observatories ..	52,304	65,474	73,900	80,800
J.—KARACHI AIR SERVICE—				
J. 1.—Pay of Establishments ..	13,847	19,825	19,900	27,500
J. 2.—Allowances, Honoraria, etc.—				
Non-voted	6,239	7,828	1,600	2,100
Voted .. ..	..	..	4,700	4,800
J. 3.—Contingencies	7,181	9,711	8,700	7,400
Total for Karachi Air Service ..	27,267	37,364	34,900	41,800

Sub-heads.				Actuals, 1929-30.	Actuals, 1930-31.	Revised estimates, 1931-32.	Budget estimates, 1932-33.
				Rs.	Rs.	Rs.	Rs.
K.—DELHI OFFICE—							
K. 1.—Pay of Establishments	..	..	..	..	12,616	16,000	..
K. 2.—Allowances, Honoraria, etc.	..	..	..	..	3,103	2,300	..
K. 3.—Supplies and Services and Con- tingencies	..	..	..	..	9,734	9,700	..
Total for Delhi Office	..	..	..	..	25,453	28,000	..
L.—RANGOON OFFICE—							
L. 1.—Pay of Establishments	..	..	..	..	7,732	18,600	..
L. 2.—Allowances, Honoraria, etc.	..	..	..	..	7,507	8,600	..
L. 3.—Supplies and Services and Con- tingencies	..	..	..	..	10,300	10,900	..
Total for Rangoon Office	..	..	..	..	25,539	38,100	..
M.—Deduct—ESTABLISHMENT CHARGES RECOVERED FROM OTHER GOVERNMENTS DEPARTMENTS, ETC.							
	..	..	..	—1,500	—1,500	—1,500	—1,500
N.—WORKS							
	..	..	..	84,064	47,337	36,700	32,900
O.—ENGLISH CHARGES (HIGH COMMIS- SIONER) ON STORES							
	..	..	..	70,040	1,16,600	1,04,000	74,000
P.—LOSS OR GAIN BY EXCHANGE							
	..	..	..	590	1,470	1,000	..
Q.—Deduct—LUMP REDUCTION ON AC- COUNT OF RETRENCHMENT							
	..	..	..	..	..	..	—23,800
TOTAL	..	..	..	12,90,012	16,08,578	17,44,000	15,74,400
Non-voted	..	..	..	40,841	43,835	1,06,000	83,000
Voted	..	..	..	12,49,171	15,64,743	16,38,000	14,91,400
Receipts	..	..	..	30,385	36,591	35,900	33,000

NOTE.— The Budget for 1931-32 was Rs. 21,48,000

The Budget for 1932-33 is Rs. 15,74,400

Difference Rs. 5,73,600

PART II.

Grant No. 54.—Mines.

Decisions have been arrived at on all the recommendations of the Retrenchment Sub-Committee concerning this demand except those relating to the reduction of a post of Inspector of Mines and the creation of a post of Assistant Inspector on the retirement of the present Chief Inspector. The Sub-Committee have assumed that one of the Inspectors will be promoted as Chief Inspector on the retirement of the present incumbent in October 1932. The question of a successor to the Chief Inspector's post is under consideration and the possibility of giving effect to the Sub-Committee's recommendations will be considered if their anticipation proves correct.

2. Details of retrenchments effected in the Mines Department are shown in the table* below :—

Heads under which retrenchment effected.	Savings as compared with the grant for 1931-32. Rs.	Reference to recommendations in General Purposes Sub-Committee's Report.
B.—Pay of Establishments—		
<i>Abolition of Posts (Ministerial and other Establishments).</i>		Paragraphs 3 (c) (i) and 4 (ii).
1 Clerk on Rs. 40—2—80	7,900	....
1 Draftsman-surveyor on Rs. 75—5/2—125 ..		
1 Surveyor on Rs. 120—5/2—160 ..		
1 Draftsman-surveyor on Rs. 75—5/2—125 ..		
1 Clerk on Rs. 40—2—80		
1 Stenographer on Rs. 50—3—125		
6		
— <i>Inferior servants.</i>		
2 Durwans on Rs. 11—1/5—1/10—14 each ..		
1 Bearer on Rs. 11—1/5—1/10—14 ..		
2 Chainmen on Rs. 13—1/5—1/10—15 each ..		
5		
C.—Travelling Allowances	6,300	Paragraphs 3 (c) (ii) and 4 (iii).
D.—Other Allowances, Honoraria, etc.	1,300	....
E.—Allowances and other Charges in connection with Examinations	2,500	Paragraphs 3 (c) (v) and 4 (iv).
F.—Supplies and Services and Contingencies ..	1,000	Paragraphs 3 (c) (vi) and 4 (v).
Total ..	19,000	

* Please also see Annexure to this Part of the Appendix.

ANNEXURE TO PART II OF APPENDIX XI.

Statement showing the anticipated receipts and expenditure for 1932-33, actuals for 1929-30 and 1930-31 and revised estimates for 1931-32, relating to Grant No. 54.—Mines.

Sub-heads.				Actuals, 1929-30.	Actuals, 1930-31.	Revised estimates, 1931-32.	Budget estimates, 1932-33.
				Rs.	Rs.*	Rs.	Rs.
A.—Pay of Officers—							
Non-voted	..	..	..	73,081	70,799	95,600	89,200
Voted	..	..	..	59,955	59,228	40,800	41,600
B.—Pay of Establishments				54,595	53,540	52,400	44,000
C.—Travelling Allowances—							
Non-voted	..	..	..	11,652	11,137	19,400	16,000
Voted	..	..	..	23,082	21,582	13,800	14,100
D.—Other Allowances, Honoraria, etc.—							
Non-voted	..	..	..	4,336	4,411	3,000	2,800
Voted	..	..	..	3,634	8,379	1,000	1,500
E.—Allowances and other Charges in connection with Examinations.				7,241	6,312	6,000	5,000
F.—Supplies and Services and Contingencies				13,263	14,731	10,000	8,800
G.—English Charges (High Commissioner) on Stores.				..	170	..	*1,000
Total				2,50,839	2,50,289	2,42,000	2,24,000
Non-voted	..	..	..	89,069	86,347	1,18,000	1,08,000
Voted	..	..	..	1,61,770	1,63,942	1,24,000	1,16,000
Receipts				7,353	7,719	6,000	5,800

* A provision of Rs. 200 is only necessary but in accordance with budget practice the sum of Rs. 1,000 has been provided.

PART III.

Grant No. 50.—Geological Survey.

Final decisions have been reached on all the recommendations of the Retrenchment Sub-Committee except in regard to the following:—

- (1) Abrogation of house-rent allowances and rent free quarters.
- (2) On the occurrence of vacancies among Superintendents and Assistant Superintendents; additions to the superior staff to be made in the cadre of Extra Assistant Superintendents; and re-designation of Assistant Superintendents and Extra Assistant Superintendents as Superintendents and Assistant Superintendents.

No rent-free accommodation is given to the officers of the Geological Survey of India, but the question of the abrogation of house-rent allowances will be considered along with the general question of the abolition of such allowances. The recommendation referred to in (2) above is also under consideration.

2. Details of retrenchments effected in¹ the Geological Survey Department are given in the table* below:—

Heads under which retrenchment effected.	Savings as compared with grant for 1931-32.	Reference to recommendations in General Purposes Sub-Committee's Report.
	Rs.	
A.—Pay of Officers—		
(a) <i>Abolition of posts—</i>		Paragraphs 4 and 5.
3 Superintendents on Rs. 1,500—100—2,000 each.	1,01,000	
†12 Assistant Superintendents on Rs. 450—50—1,200 each.		
1 Chemist on Rs. 450—50—1,200		
1 Artist on † Rs. 450—15—600 <i>plus</i> personal pay Rs. 200—10—300.		
17		
(b) Abrogation of special pays of Rs. 150 per mensem each for the officers doing the duties of Curator and Palæontologist.		Paragraph 6 (i).
B.—Pay of Establishments.		
(a) <i>Abolition of posts.</i>		Paragraph 6 (v):
<i>Ministerial and other establishments.</i>		
3 Map Draftsmen on Rs. 35—35—40—2—68—3/2—80 each.		
1 Compositor on Rs. 30—2—60.		
1 Section-Cutter on Rs. 20—1—30.		
1 Upper Division Clerk on Rs. 125—15/2—200.		
1 Lower Division Clerk on Rs. 50—3—125.		
1 Label-writer on Rs. 30—2—50.		
8		

* Please also see Annexure to this Part of the Appendix.

† Four officers have been demoted to the grade of Extra Assistant Superintendents.

‡ Personal to the incumbent retrenched.

B.—Pay of Establishments—(contd.).

Paragraphs 6 (v).

Inferior servants.

Rs.

1 Carpenter on Rs. 20—1—30	} 11,450
1 Painter and Polisher on Rs. 20—1—30 ..	..
2 Peons on Rs. 15—1/5—19 each ..	..
2 Bearers on Rs. 15—1/5—19 each ..	..
1 Stone-Polisher on Rs. 15—1/5—19 ..	..
2 Khalasis on Rs. 15—1/5—19 each ..	..

9

(b) Reduction in Field Establishment.

Paragraph 6 (v).

C.—Allowances, Honoraria, etc.	38,800	Paragraph 6 (ii) and (iv).
D.—Supplies and Services	14,100	Paragraph 6 (vi).
E.—Contingencies	1,600	Paragraph 6 (vii).
I.—English Charges (High Commissioner) on Stores ..	6,000	Paragraph 6 (viii).
Total ..	1,72,950	

3. The Retrenchment Sub-Committee also recommended that a strong Committee should be appointed to consider the revision of the present mineral policy of Government and to specifically examine the question of increasing the existing rates of royalty. It has been decided that no action can be taken on this recommendation. It does not affect the grant of the Geological Survey Department.

4. There are no general observations to make on the position emerging after the retrenchment.

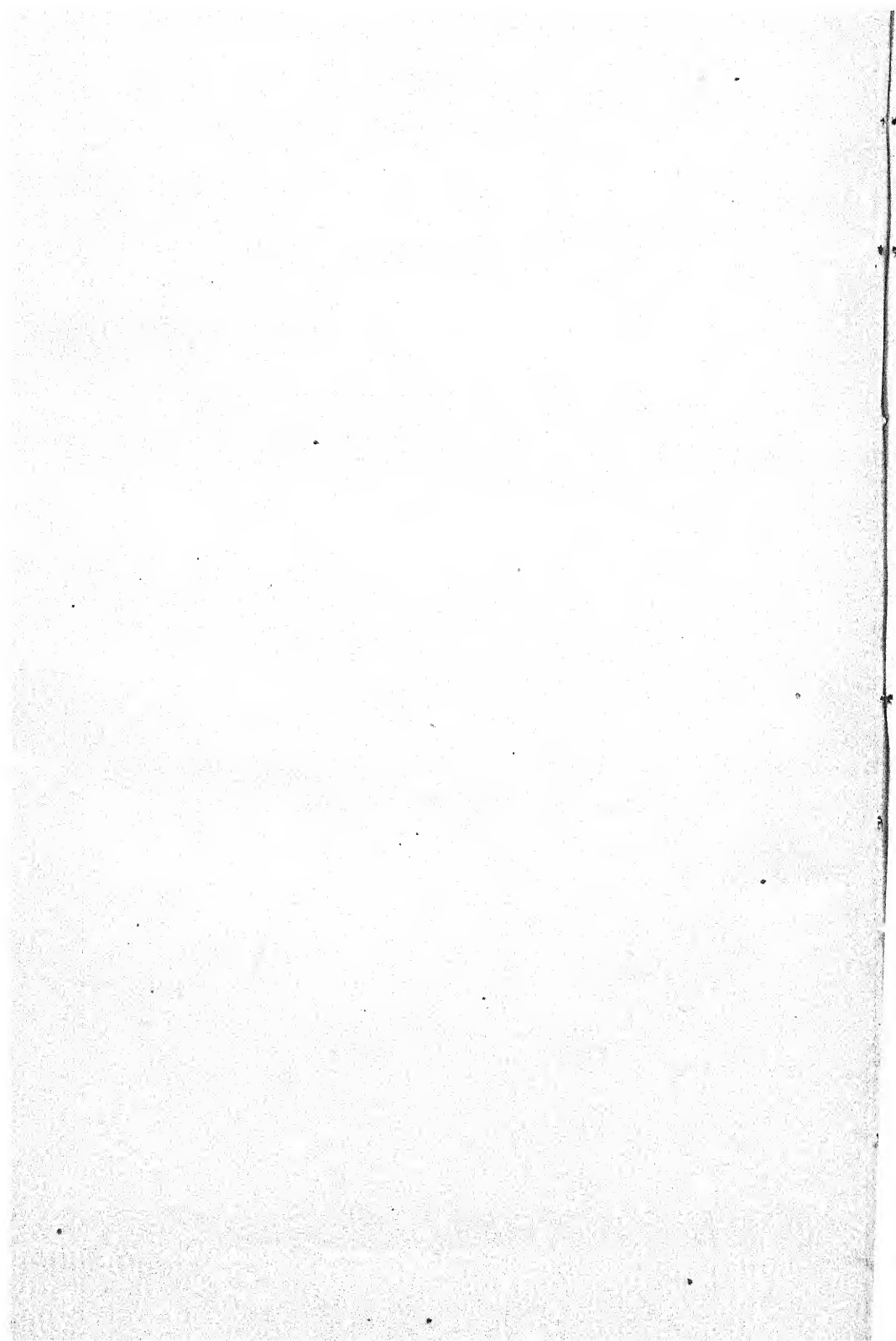
ANNEXURE TO PART III OF APPENDIX XI.

Statement showing the anticipated receipts and expenditure for 1932-33, actuals for 1929-30 and 1930-31 and revised estimates for 1931-32, relating to Grant No. 50.—Geological Survey.

Sub-heads.				Actuals, 1929-30.	Actuals, 1930-31.	Revised estimates, 1931-32.	Budget estimates, 1932-33,
				Rs.	Rs.	Rs.	Rs.
A.—Pay of Officers—							
Non-voted	..	..	..	2,68,339	2,51,337	2,30,800	1,55,500
Voted	..	..	..	54,833	70,160	71,600	39,100
B.—Pay of Establishments				..	..	..	..
				63,339	65,529	64,800	51,600
C.—Allowances, Honoraria, etc.—							
Non-voted	..	..	..	77,541	75,870	63,200	54,500
Voted	..	..	..	32,840	36,454	36,100	24,300
D.—Supplies and Services—							
D-1.—Gross charges	..	..	..	56,896	77,348	36,900	28,000
D-2.— <i>Deduct</i> Recoveries	..	..	..	—8,450	—25,151	..	..
Total for Supplies and Services				..	48,446	52,197	36,900
E.—Contingencies				..	12,457	12,710	11,100
F.—Grants-in-Aid				..	500	..	500
G.—Burma Office—							
G-1.—Pay of Officers	..	..	..	1,131	2,409	100	4,800
G-2.—Pay of Establishments	..	..	..	15,504	16,827	17,800	17,900
G-3.—Other Charges—				.			
Non-voted	..	..	..	4,184	6,854	5,000	6,200
Voted	..	..	..	20,799	24,578	21,200	21,700
G-4.— <i>Deduct</i> Probable Savings	..	..	..	..	..	..	..
Total for Burma Office				..	41,618	50,668	44,100
H.— <i>Deduct</i> Establishment Charges recovered from other Governments Departments, etc.—							
Non-voted	..	..	..	—4,184	—6,854	—5,000	—6,200
Voted	..	..	..	—37,434	—43,814	—39,100	—44,400
I.—English Charges (High Commissioner) on Stores.					9,930	9,030	4,000
							3,000

Sub-heads.		Actuals, 1929-30.	Actuals, 1930-31.	Revised estimates, 1931-32.	Budget estimates, 1932-33.
		Rs.	Rs.	Rs.	Rs.
J.—Loss or gain by Exchange	..	80	110	..	..
Total		5,68,305	5,73,397	5,19,000	3,66,000
Non-voted	..	3,45,880	3,27,207	2,94,000	2,10,000
Voted	..	2,22,425	2,46,190	2,25,000	1,56,000
Receipts		1,279	61,683*	2,040	2,500

* Includes a lump adjustment of about Rs. 58,000 on account of credits received from Military Department in respect of leave salary of certain officers of the Geological Survey of India who rendered military service.



APPENDIX XII.

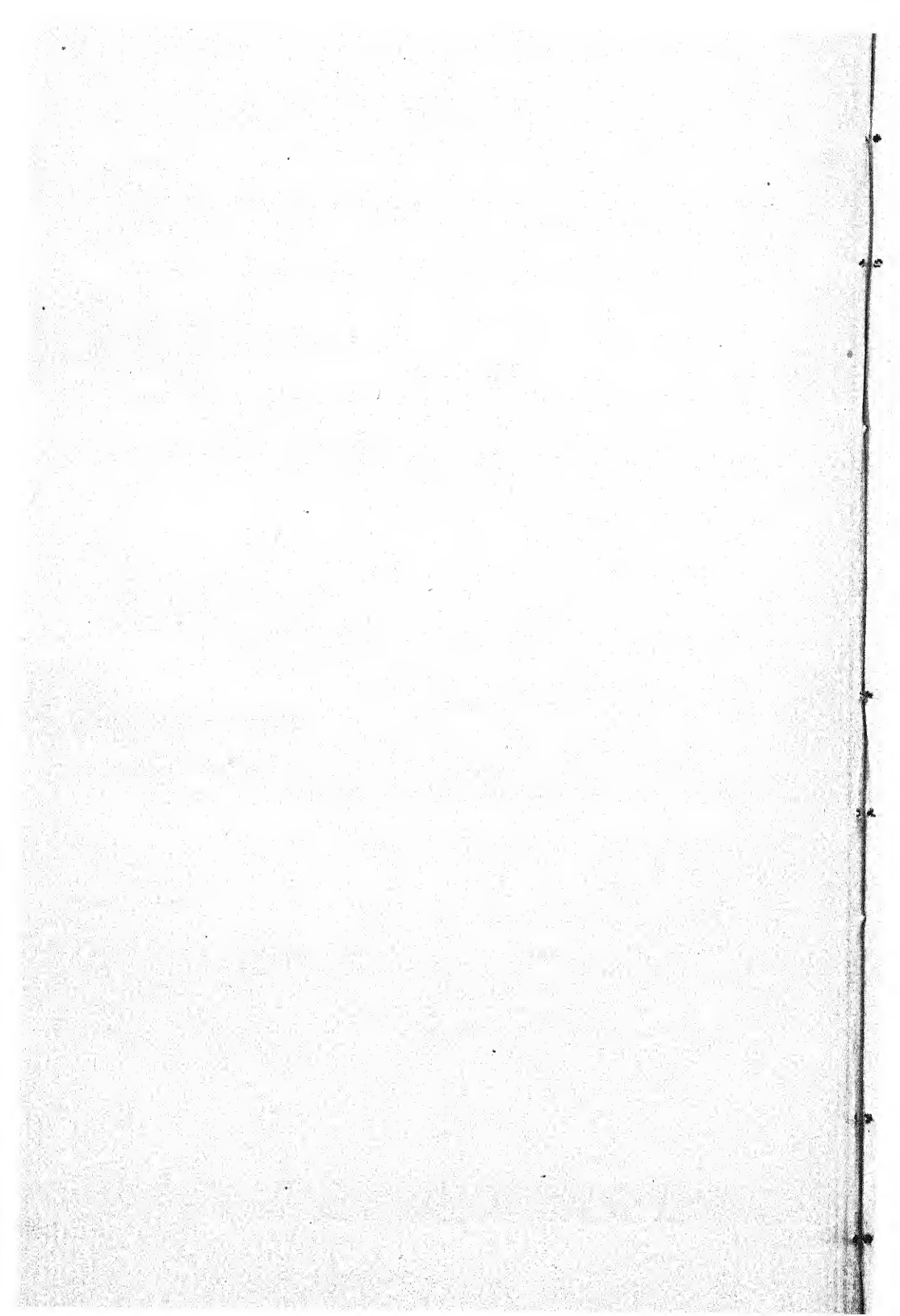
Note regarding the representation of the Legislative Assembly on the Governing Body of the Indian School of Mines, Dhanbad, furnished by the Department of Industries and Labour with reference to paragraph 126 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

In their Resolution No. M.-36, dated the 11th September 1920, the Government of India laid down the constitution of the Governing Body of the Indian School of Mines, Dhanbad, as follows :—

- (1) Director, Geological Survey of India (President),
 - (2) Chief Inspector of Mines in India,
 - (3) Principal, Indian School of Mines (*ex-officio* Secretary),
 - (4) One official appointed by the Government of Bengal,
 - (5) One official appointed by the Government of Bihar and Orissa,
 - (6) One representative of the Calcutta University,
 - (7) One representative of the Patna University,
 - (8) One representative of the Indian Mining Association,
 - (9) One representative of the Indian Mining Federation,
 - (10) One representative of the Mining and Geological Institute of India,
 - (11) One representative of the Burma mining industry, to be nominated at present by the Government of Burma,
 - (12) One representative of Central Provinces and Berar Mining Association.
- | | | |
|---|---|------------------------------|
| One representative of the South India mining industry, to be nominated by the Government of Madras. | } | Alternately for three years. |
|---|---|------------------------------|
- (13) and (14) Two non-officials, to be nominated by the Government of India.

Later, in their Resolution No. M.-36-176, dated the 8th August 1921, the Government of India decided to increase the membership of the Governing Body by appointing two members of the Indian Legislature and up to the present the practice has been to appoint to these seats two of the members of the Standing Finance Committee of the Legislative Assembly.

The Indian School of Mines is an all-India institution and in laying down its composition the Government of India have aimed at the representation of the various interests connected with the work of the School. The Governing Body already consists of as many as sixteen members and the Government of India do not at present contemplate any increase in its size. Nor do they at present contemplate any change in its composition.



APPENDIX XIII.

Note on the Police Clothing Fund and other similar Funds, furnished by the Auditor-General with reference to paragraph 111 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

The Public Accounts Committee dealing with the Appropriation Report for 1928-29 desired that a note should be submitted on the Police Clothing Fund in Baluchistan as well as on any other funds of the kind which might be in existence. The Appropriation Report for 1929-30 (page 444, paragraph 2) made a reference to the subject and the Public Accounts Committee dealing with that report also considered a note on the Baluchistan funds prepared by the Agent to the Governor General (Appendix XIV to the Report of the Committee). The Auditor General explained to the Committee that he was going into the question of audit of these and similar funds in some detail to see whether proper rules governing their operation had been framed and whether the accounts were audited with reference to those rules and stores in stock. He was comparing the procedure with that obtaining on the Army side and in the provinces and would give a full note on the question next year.

Description.

2. Police clothing and equipment funds exist in the Punjab and the territories which follow the Punjab system, i.e., the North-West Frontier Province, Baluchistan and Delhi. Each Superintendent of Police has a separate fund (in some cases the clothing and equipment funds are combined, in others they are separate) which is fed by subventions from Government according to a fixed scale and by receipts from the sale of old stock and recoveries from members of the force who lose or cause undue damage to articles in their possession. Rules are in existence prescribing the scale on which articles are to be supplied and the period after which each article may be replaced at the expense of the fund. Stock accounts have to be maintained in a form which permits of a cross-check of the cost of articles in stock against the connected withdrawals from the fund. A monthly abstract of these accounts has to be prepared and certified by an Inspector of Police. All new articles of clothing have to be surveyed by a Board and a yearly verification of stock carried out by a gazetted officer. In the Punjab annual statements showing the transactions of the fund for the year and the closing balances have to be submitted to the Inspector General. In Delhi and Baluchistan purchases are now made through the Indian Stores Department and a similar procedure is to a large extent followed in the North-West Frontier Province. Superintendents are responsible for the economical administration of the fund and may defer the issue of any article when such issue is not necessary.

3. The following illustration exhibits the amount of grant made each year to the clothing funds per head of the sanctioned strength on account of the clothing of foot constables :—

GOVERNMENT CONTRIBUTIONS TO POLICE CLOTHING FUNDS, PER ANNUM PER HEAD OF SANCTIONED STRENGTH.

(Foot Constables.)

Year.		Baluchistan.	N.-W. F. P.	Delhi.		Punjab (except Simla).	
				Initial grant.	Annual grant.	Initial grant.	Annual grant.
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1912-13	..	10	10	*	*	..	..
1913-14	..	15	10	*	*	..	..
1920-21	..	15	10	*	*	10	8
1921-22	..	15	20	*	*	10	8
1922-23	..	22	20	*	*	10	8
1923-24 to 1926-27	..	25	20	*	*	10	8
1927-28 to 1930-31	..	25	20	20	16	10	8
1931-32	..	25	20	20	16	10	8

* Information awaited.

The Public Accounts Committee has been informed in the note of the Agent to the Governor General, Baluchistan, presented to it last December that a reduction in the annual contribution from Rs. 25 to Rs. 19 was under consideration. This reduction has been effected from 1st December 1931.

The "initial grant" shown under Delhi and the Punjab is made when there is an increase in the sanctioned strength of the force, and is applied to the numerical increase in such sanctioned strength. The system of initial grants does not seem to apply to Baluchistan or the North-West Frontier Province.

4. The tables in the Annexure show the total receipts (including the Government contributions, sales and recoveries) and disbursements of the clothing funds from 1926-27 to 1930-31 for Baluchistan, the North-West Frontier Province and Delhi.

5. In no other area in India does a system of police clothing or equipment funds exist. In such cases the actual expenditure on clothing and equipment of the police force is charged direct to the service head of the Government expenditure account and so the actual clothing and equipment charges appear in the appropriation accounts, whereas with the administrations mentioned in paragraph 3 the charge which appears in the appropriation accounts is the annual Government subvention.

6. In the Army clothing is not purchased by units but obtained from clothing depots which in turn obtain their supplies from the Army Clothing Factories and each unit keeps a quantitative clothing ledger (stock account) in which all receipts and issues are shown. There is a clothing allowance fund in each unit to which "clothing allowance" drawn as part of a soldier's pay is credited but the fund is a purely regimental one administered by the officer commanding and audited by a board of officers. The quantitative clothing ledger (stock account) is subject to the audit of the Director of Army Audit but not the clothing allowance fund. The rate of clothing allowance is fixed by the Government of India after taking into account, *inter alia*, (i) the scale of personal clothing and necessities required to be maintained, (ii) the rate at which these articles can be issued on payment from Government stock, and (iii) the average life of the article. The rate is revised from time to time when considered necessary.

Present system of audit.

7. The amount of the annual subvention to the clothing and equipment funds is drawn (by transfer credit) on bills which show the total sanctioned strength and the rates applicable to each category of the subordinate police force, and in audit it is seen that these particulars and the total amount drawn are in order.

8. In Baluchistan, expenditure on clothing and equipment from the funds is incurred on bills in contingent bill form specifying details of the transactions. The audit of such bills is conducted on the same lines as that of ordinary contingent expenditure and it is thereby verified, assuming the accuracy of the facts recorded on the bill, that expenditure on objects foreign to the purposes of the fund is not incurred. For Delhi and the North-West Frontier Province the charges of the fund are drawn on cheques and there is in consequence no headquarters audit scrutiny of the kind obtaining with respect to Baluchistan. In no case is there any local audit of the stock accounts and connected procedure or of the receipts of the fund through sales and recoveries, nor is there in the case of Delhi and the North-West Frontier Province any local audit of the expenditure from the fund.

Comments.

9. The rules on the subject in force in the Punjab, which are the basic rules for other areas, have been scrutinised and appear on the whole to be satisfactory. The provision for initial grants when there is an increase in the sanctioned strength of the cadre (see paragraph 3 above) without the inclusion of a provision for the refund of a portion of such grants when there is a decrease appears, however, to be open to objection. The annual provision is calculated at a rate which should cover the cost of all renewals and so initial grants are in the nature of recoverable advances. If the balance of the fund is sufficiently large to meet the initial expenditure no initial grant seems necessary. When a reduction of establishment takes place there is a stock of unexpired clothing and equipment in hand suitable for re-issue, and the fund has also been fed with annual grants which cover *inter alia* a share of the cost of future renewal of articles for the additional force. It should

therefore be considered when a reduction in establishment takes place to what extent the *pro rata initial* grant originally drawn should be refunded to Government. These points may be of practical financial importance in the next few years as, in Delhi in particular, there have been additions to the sanctioned strength of the force in recent years which are presumably of a temporary nature.

10. It also seems desirable that each administration concerned should make an annual review of the total transactions and closing balances of the funds for the year and of the rates in force. Although there has been a gradual fall in the decade of the cost of most of the articles of clothing and equipment it will be seen from the table in paragraph 3 that there has been no decrease of rates in contribution, except in Baluchistan from 1st December 1931. There have in fact, in some cases, been increases consequent on the rise in prices at the end of the war. It is possible to work out the theoretical rate based on the actual cost of each article divided by its sanctioned life, making allowance for the facts that cadres are generally somewhat below sanctioned strength, that the fund also receives contributions from the sale of old clothing and from recoveries from the men, and that some articles may be retained in use for longer than the sanctioned life.

11. A review of the balances is desirable in order to ascertain whether they are not sufficiently great to permit of a reduction in the annual contribution. Balances may become inflated through the rates not having been properly adjusted or for other reasons. Thus it will be seen from the annexure that the closing balance in the North-West Frontier Province on the 31st March 1931 was more than sufficient for the requirements of 1930-31 and more than double the normal annual requirements of previous years.

12. Certain figures of average cost may be of interest. The average actual cost of clothing a foot constable in the United Provinces for the three years 1928-29 to 1930-31 has been Rs. 11-4-0. This is not strictly comparable with the following figures representing the average cost of clothing all the subordinates of the Baluchistan, North-West Frontier Province and Delhi police force per head of sanctioned strength—

Baluchistan—

						Rs.	As.
Quetta-Sibi and Pishin—average for 1925-26 to 1930-31	..	..	..	..	..	19	3
Zhob Loralai—average for 1925-26 to 1930-31	24	10

North-West Frontier Province—

average for 1925-26 to 1930-31	16	8
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Delhi—

average for 1928-29	22	11
average for 1929-30	19	8
average for 1930-31	28	0

Higher costs in Baluchistan are attributable to the necessity of supplying warm clothing. In Delhi a more frequent renewal of certain articles of clothing than is found sufficient elsewhere is considered necessary. The high rate for 1930-31 is to some extent due to initial expenditure on clothing for the additions to the strength of the force sanctioned in that year.

Proposed changes in audit procedure.

13. In Delhi and the North-West Frontier Province there seems to be no reason why charges on the funds should not be drawn and vouched on contingent bill forms as is done in Baluchistan, instead of by cheque, and for a central audit to be conducted of such charges in the manner of contingent audit. The fact that these charges representing an ordinary type of Government expenditure are incurred through the medium of personal ledger accounts is hardly sufficient ground for withholding them from ordinary audit procedure.

14. It appears desirable also that there should be a local test audit of the transactions of the fund and the connected stock accounts. On this point the Director of Army Audit has remarked as follows:—"I agree that there should be a local test audit of the Baluchistan

Clothing Fund and that such can best be conducted by me", while the Comptroller, North-West Frontier Province, remarks—"it is highly desirable that these funds should be subjected to local audit". It would be a simple matter for me to arrange for a local test audit of the Delhi funds.

15. The audit of the stock account would consist, it is suggested, principally in seeing that articles on which expenditure on purchase has been incurred have been brought to account, that returns of articles to stock are properly accounted for, that issues are in accordance with the rules, and that there is evidence of the prescribed annual verification having taken place. The transactions of one or two months may be checked in detail against relevant documents. As regards the local detailed accounts of the fund transactions, it might be seen that purchases are made through the Indian Stores Department, where this is prescribed, and in other cases that there is a proper system of securing economical rates of supply; that there is an adequate system in force with regard to the sale of time-expired clothing and the credit of the proceeds to the fund; that there is an adequate system for crediting other receipts; the transactions of one or two selected months might be checked in detail. There should also be a scrutiny of the local rules to see that they have been promulgated under orders of competent authority, that they are sufficiently precise and that financial defects in the rules are brought to light. Every three years there should be a scrutiny of the total transactions and closing balances to ascertain whether there is any indication that the rates need revision or that contributions to the fund may be temporarily withheld—this aspect of the case need not be pursued, however, if there is evidence that the administrative authority concerned is aware of the position and is taking action with respect to it. Other points may be taken up in the light of experience of the results of these local audits.

Financial Control.

16. If the Finance Department is to exercise a control over expenditure and equipment comparable to that exercised in the United Provinces and if Clothing and Equipment Funds are to remain as such it is recommended that each administration should submit to the Finance Department with its budget proposals for contributions for the ensuing year a review of the situation as regards total balances and transactions for the past, current and ensuing year (see paragraphs 10 and 11), an analysis of rates based on the principles mentioned in paragraph 10 and a statement relating to initial grants, i.e., if additions to establishment are contemplated, whether the funds are sufficient to finance the initial expenditure and, if any reductions in establishment are in view, to what extent the annual contribution should be reduced in token of recoupment of the corresponding *pro rata* initial grant (see paragraph 9). These reviews and statements may either be communicated along with the comments of the Audit Department or the assistance of the Audit Department may be sought in the annual Finance Department scrutiny of next year's budget.

Question as to whether Clothing and Equipment Funds should be maintained.

17. The fact that in the greater part of India Police clothing and equipment funds do not exist, indicates that no insuperable difficulties would arise if the existing funds were abolished. From an accounting point of view the fund system involves a small amount of additional work. As regards control by the legislature through the voting of grants this might be exercised in practice quite as effectively by reducing the contribution to the funds as by reducing the appropriation for clothing and equipment charges. If the proposals made in the preceding paragraphs are accepted there should be very little difference in the salient features of financial, administrative and audit control, whichever system is adopted. In either case estimates of the actual expenditure on renewal of time-expired articles based on sanctioned scale and life as well as on recent prices should be prepared. Stock accounts in their present form linked up with receipts and expenditure must remain and they should be subject to local test audit with the connected financial transactions. There is no question of abandoning the system of prescribing a sanctioned life for each article or abolishing any of the other administrative checks.

The fund system has slight advantages over the direct charge system in that a Superintendent of Police who is keen on the proper clothing and equipment of his staff might be expected to take a greater personal interest in seeing that the best price for old articles was obtained, and that recoveries were properly made on account of negligence,

if these sources of receipts were credited to the fund, than if they were credited as ordinary Government revenue. It will facilitate the check and audit of such receipts if all the connected transactions are isolated in a single fund with inter-linked stock accounts. There is some financial advantage in having the debit to the revenue account of Government smoothed out from year to year, as happens with the fund system, instead of fluctuating in a marked degree as may happen where the charge is a direct one. Finally it seems undesirable to change a system which has been in force for a considerable period unless there are manifest advantages in making the change. For these reasons the retention of the fund system is recommended.

ANNEXURE TO APPENDIX XIII.

TABLE OF RECEIPTS, DISBURSEMENTS AND CLOSING BALANCES OF CLOTHING FUNDS (SEE PARAGRAPH 4).

BALUCHISTAN.

					Receipts.	Disbursements.	Closing balance.
					Rs.	Rs.	Rs.
1926-27 ..	..	..	..	..	58,730	59,591	35,208
1927-28 ..	..	..	..	..	57,564	34,543	58,229
1928-29 ..	..	..	..	..	24,765	43,249	39,745
1929-30 ..	..	..	..	..	42,111	35,247	46,609
1930-31 ..	..	..	..	..	73,532	54,032	66,109
1931-32 ..	..	..	..	..	4,823	53,556	17,376

Note.—Owing to the sufficiency of funds no Government contribution was drawn for the Quetta-Pishin and Sibi police force in 1928-29 or for the Zhob police force in 1929-30.

DELHI.

1926-27 ..	..	..	..	..	34,997	12,927	22,560
1927-28 ..	..	..	..	..	28,076	36,712	13,924
1928-29 ..	..	..	..	..	29,370	36,572	6,712
1929-30 ..	..	..	..	..	32,025	31,410	7,336
1930-31 ..	..	..	..	..	52,126	59,242	221
1931-32 ..	..	..	..	..	34,977	19,770	15,423

NORTH-WEST FRONTIER PROVINCE.

1926-27 ..	..	..	..	..	1,24,332	99,850	1,48,395
1927-28 ..	..	..	..	..	1,22,422	1,01,785	1,69,032
1928-29 ..	..	..	..	..	1,23,000	1,04,696	1,87,336
1929-30 ..	..	..	..	..	1,40,247	1,09,031	2,18,552
1930-31 ..	..	..	..	..	2,08,206	1,85,380	2,41,373

APPENDIX XIV.

Memorandum regarding the disposal of Stores at the X-Ray Institute, Dehra Dun, furnished by the Department of Education, Health and Lands with reference to paragraph 24 of the Auditor-General's letter containing his comments on the Appropriation Accounts of the Central Government (Civil) for 1930-31.

With reference to paragraph 24 of the letter from the Auditor-General, No. T-537-Rep./4-32, dated the 18th June 1932, received from the Finance Department with that Department endorsement No. D.4341-F., dated the 8th July 1932, the undersigned is directed to say that the entire stock of the stores, etc., of the late X-Ray Institute, Dehra Dun, was disposed of before the close of the financial year 1931-32 and that the procedure adopted for its disposal was as follows :—

- (a) The X-Ray Installations at Delhi and Simla were first permitted to take over such of the stores as were required by them, free of cost, as these Installations were branches of the main X-Ray Institute, Dehra Dun, and are still maintained from Central Revenues.
- (b) The Army Department were next permitted to take over such of the remaining stores and serviceable gas-light paper as they needed at the price fixed by the Officer in Charge of the X-Ray Institute, and the Director-General, Indian Medical Service.
- (c) Instruments and apparatus which were being used at the Institute for teaching purposes and had previously been written off were offered as a free gift to the Army Department for military teaching centres.
- (d) The whole quantity of radium at the Institute, valued at Rs. 12,000, was transferred to the Lady Hardinge Medical College and Hospital, Delhi. The grant-in-aid of Rs. 21,000 which was sanctioned for the purchase of radium for the Lady Hardinge Medical College and provision for which was made in the Delhi Estimates for 1930-31 was accordingly reduced to Rs. 9,000.
- (e) The up-to-date books at the Institute were transferred to the Library of the Director General, Indian Medical Service, and the remaining books and furniture of the Institute were disposed of by public auction.
- (f) The sale of such of the stores as were not taken over by the X-Ray Installations at Delhi and Simla or by the Army Department was entrusted to the Officer-in-Charge of the Institute under the supervision of the Director General, Indian Medical Service, and was advertised at the highest rates obtainable in the press throughout India. All Civil Administrative Medical Officers, private practitioners, Indian States, non-Government hospitals and the larger electrical firms were also circularised and informed of the sale.
- (g) Stores which could not be sold under (f) above were put up at a public auction with a minimum reserve price in each case. Articles which did not fetch the reserve price and remained unsold at the auction were distributed free of cost to certain Military and Civil Institutions; Government Colleges, State Railways, Pasteur Institute, Kasauli, etc., on condition of their paying all packing and transport charges involved, which was the most that they were prepared to do. It was considered that this was preferable to letting such stores go for next to nothing to outsiders at a further auction sale.

2. The stores were of the stock book value of Rs. 5,88,574, for which a sum of Rs. 1,36,838 was realised in sale-proceeds from Civil and Military Departments, private practitioners and the auction sale. The loss amounted to Rs. 4,51,736, to which must be added a sum of Rs. 22,492 on account of departmental charges which would have been recovered had the stores been disposed of in accordance with ordinary rules. The losses have since been written off. The losses may seem heavy, but the sales, which were due to the decision to close the Institute down and to conclude the sales by 31st March 1932, at latest, took place on the worst possible market, owing to prevailing economic conditions. It should also be noted that the Director of Contracts, Army Headquarters, whom it was at one time proposed to entrust with the sales, advised that it was extremely unlikely that even half a lakh could be obtained for the stores.

The value of stores issued free of cost to the X-Ray Installations at Delhi and Simla under clause (a) above was Rs. 6,920 and that of the stores which remained unsold after the final auction and distributed free of cost to certain Military and Provincial Civil Institutions, State Railways, Pasteur Institute, Kasauli, etc., was Rs. 6,674.

3. In all cases in which stores were issued on payment, prices were realised in cash and in no case stores were issued on book adjustment.

APPENDIX XV.

Memorandum regarding Grant No. 97—Interest Free Advances, furnished by the Finance Department with reference to paragraph 12 of the Auditor-General's letter containing his comments on the Appropriation Accounts of the Central Government (Civil) for 1930-31.

In paragraph 12 of the Auditor-General's letter No. T.-537-Rep./4-32, dated the 18th June 1932, dealing with the Appropriation Accounts for 1930-31, he has alluded to the estimating and control of heads A-1 and A-2 of Grant No. 97—'Interest free Advances'. It may be helpful for the Public Accounts Committee to have a brief analysis of the position.

2. Under existing financial arrangements Local Governments have full powers to sanction these advances and the nature of some of the advances is such that it is not possible for the Government of India to criticise or restrict their amount, *e.g.*, advances of travelling allowance and pay to officers under orders of transfer.

3. Item A. 1—in Grant No. 97 deals with Civil Advances and item A. 2—with Advances repayable—Posts and Telegraphs.

Item A. 1.

Civil Advances include many types of special large advances recoverable from different sources as well as a number of petty miscellaneous advances arising in the course of ordinary Government administration and recoverable within a short time. The more important transactions falling under this head are—

- (1) Objection Book advances,
- (2) Passage advances,
- (3) Special advances,
- (4) Miscellaneous advances.

Objection Book Advances.—"Objection Book advance" is a technical expression which is applied to petty miscellaneous advances recoverable within a short time and which are booked as a single account in the ledger. In the process of accounting, the ledger balance has to be agreed with the aggregate of the details in the Objection Book.

Passage Advances.—"Passage Advances" are advances granted to officers of non-Asiatic domicile for passages overseas.

Special Advances.—Advances granted to Government Officers and others under the special orders of a Local Government. Accurate estimates of out-goings under this head are peculiarly difficult to make, as the grant of such advances is governed by circumstances obtaining at the beginning of the year which may alter radically during the course of the year, or even after the Revised Estimates have been prepared.

Miscellaneous Advances.—These advances are made for departmental and other purposes, *e.g.*, in certain provinces they represent advances made to cultivators and others with a view to the encouragement and improvement of agricultural industry, including purchase, sale and distribution of seeds, manures, etc.

4. The expenditure voted under this grant covers transactions in the different provinces in India and also in the several departments. The estimates are generally based on the anticipations of local officers at the time the estimates are framed, as attempts to gauge the net result of such transactions during a year solely with reference to the trend of actuals, have not been found to be of much assistance. It has, however, been impressed on local officers that their

anticipations and estimates should be based on the latest data available and should approximate as far as possible to likely actuals.

5. The table below gives the progress of actuals for the three years 1928-29, 1929-30 and 1930-31 :—

				(In lakhs of Rs.)		
				1928-29.	1929-30.	1930-31.
Final appropriation	..	..	..	68.65	67.72	67.64
Actual expenditure	..	..	..	61.41	67.20	57.40
Excess + Savings —	..	..	..	—7.24	—52	—10.24
Net re-appropriation, withdrawal or surrender.				—1.03	+1.64	—5.45
Remainder unadjusted + excess or — saving				—6.21	—2.16	—4.79

6. The following is the distribution of the unadjusted excess or saving in the three years referred to above :—

				Objection Book Advance.	Special Advance.	Total.
1928-29	..	..	..	—5.76	—45	—6.21
1929-30	..	..	..	—95	—1.21	—2.16
1930-31	..	..	..	+44	—5.23	—4.79

It will be observed that the bulk of the variation in the earlier years occurred under 'Objection Book advances' while the large saving of 5.23 lakhs in 1930-31 was occasioned chiefly by undrawn amounts under 'Special advances'. It will also be observed that there has been a material improvement under 'Objection Book advances'. The accompanying statement (Annexure) gives an analysis of the savings under 'Special advances' in 1929-30 and 1930-31 with a few explanatory foot-notes.

7. The explanation of the savings in 1929-30 became available in 1930-31 and it was thought that the causes responsible for the variation in that year were peculiar to that year's transactions. Accordingly it was not considered necessary to interfere with the local estimates for 1930-31. The explanation of the variations in 1930-31, however, indicate that some of the fluctuations could have been avoided. Special instructions have been issued in the current year which it is hoped will effect a further improvement in the estimates of expenditure under this head generally. A few additional returns have also been called for so that the fullest possible information may be available for fixing the final estimates.

Item A. 2.—Advances repayable—P. & T.

8. The table below shewing the progress of actuals for the three years 1928-29, 1929-30 and 1930-31 records progressive improvement in estimating. Here again, steps have been taken to minimise avoidable variations between the estimates and actuals.

				1928-29.	1929-30.	1930-31.
Final appropriation	..	..	..	17.20	14.50	14.50
Actual expenditure	..	..	..	9.42	8.62	10.60
Excess + Savings —	..	..	..	—7.78	—5.88	—3.90
Net appropriation withdrawal or surrender.				—4.00	—4.00	—3.00
Remainder unadjusted + or —	..	..	..	—3.78	—1.88	—90

ANNEXURE TO APPENDIX XV.

Statement.

Special advances.

					1929-30.	1930-31.
North-West Frontier Province	..	..	..	..	..	+22 (E)
Madras	..	..	..	..	..	-2.16 (F)
Bengal	..	..	..	..	..	-69 (G)
Punjab	..	..	..	..	-22 (A)	-10 (H)
Burma	..	..	..	..	-61 (B)	..
Bihar and Orissa	..	..	..	..	-3 (C)	-1.61 (I)
Central Provinces	..	..	..	..	-35 (D)	-89 (J)
Total					..-1.21	-5.23

(A) Provision was made at the suggestion of the Local Government but it proved excessive.

(B) Provision was based on the past actuals. No surrender was possible as the accounts adjustments are usually made at the close of the year.

(C) Represents unspent provision for anti-rinderpest serum and the saving is negligible.

(D) Original provision for purchase of special cotton was 2,00. The saving of 35 was not foreseen at the time the Revised Estimates were framed as it was hoped that the entire provision would be used up before the end of the financial year.

(E) The excess represents larger advances made to police officers, the larger advances being necessitated by the location of additional police for disturbances in more villages than anticipated.

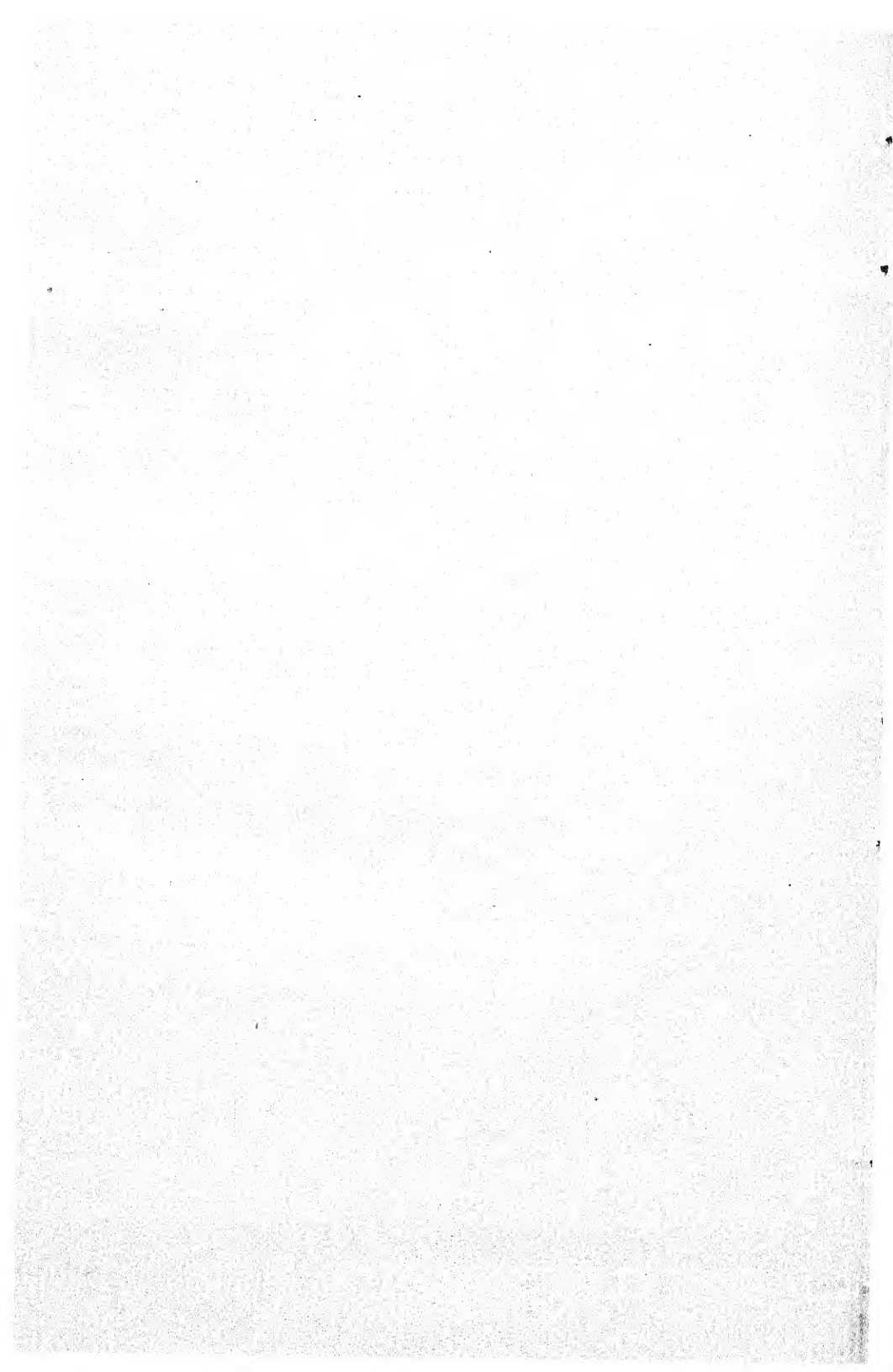
(F) Provision for commercial undertakings did not materialise. No surrender was possible as it was assumed that the debit would appear at the close of the year. Such variations from estimates are not however of common occurrence.

(G) Savings due to lesser advances for Survey and Settlement expenses in connection with Wards Estates. No surrender was possible as the adjustment is generally made towards the close of the year.

(H) Provision made at the instance of the Local Government did not materialise.

(I) Debits for anti-rinderpest serum are generally received at the close of the year. It was anticipated that the usual debit would appear. The savings were due to smaller debits from the Central Government being booked in the year. The question of the adjustment of these charges in the year's accounts is being considered.

(J) Provision for purchase of special cotton was made at the instance of the Local Government. Estimates and actuals were wide apart owing to the fact that the pooling organisation fell a good deal short of expectations due to the unfavourable season.



APPENDIX XVI.

Memorandum regarding the financial results of certain quasi-commercial concerns, furnished by the Department of Education, Health and Lands with reference to paragraph 26 of the Auditor General's letter containing his comments on the Appropriation Accounts of the Central Government (Civil) for 1930-31.

The undersigned is directed to refer to paragraph 26 of the letter from the Auditor General, to the Finance Department, No. T-537-Rep.4-32, dated the 18th June 1932, regarding the Appropriation Accounts of the Central Government (Civil) for the year 1930-31. It is stated therein that on the whole the financial results in the year under report of the quasi-commercial concerns dealt with in paragraphs 167—262 of the Appendix to the Appropriation Accounts were far from satisfactory, and incidentally attention is invited to the great difference between the valuation and the sale price of cattle brought to notice in paragraphs 179 and 194 of the Appendix. It is requested that the following remarks may be placed before the Public Accounts Committee.

2. The quasi-commercial concerns dealt with in paragraphs 167—262 of the Appendix are the Farms at Wellington, Bangalore and Karnal, the Creamery at Anand, the Agricultural Section—Cultivation and Cattle Breeding experiments—and Kitchen Garden—of the Agricultural Research Institute, Pusa, and the Sugar Cable Service.

3. In so far as the Farms at Wellington, Bangalore and Karnal and the Creamery at Anand are concerned, the statement below shows the financial results on the commercial side for the years 1928-29 to 1930-31 :—

Name of Concern.			
	1928-29 Profit + Loss—	1929-30 Profit + Loss—	1930-31 Profit + Loss—
Wellington Farm .. ..	.. .. —19,150	.. .. —14,700	.. .. —35,376
Bangalore Farm .. ..	.. .. —3,577	.. .. —12,765	.. .. +1,000
Karnal Farm .. ..	.. .. +51,402	.. .. +42,460	.. .. +6,991
Anand Creamery .. ..	.. .. +1,555	.. .. +15,441	.. .. +8,699
Total .. ..	.. +30,250	.. +30,436	.. —18,686

The increase in the loss on the Wellington Farm was due mainly to an outbreak of disease in the main dairy herd, resulting in casualties, condemnations and depreciation of live stock to the extent of Rs. 23,543. Moreover in accordance with one of the conditions agreed upon when the Farms at Wellington, Bangalore and Karnal were taken over from the military authorities a regulated price has to be charged for the dairy produce supplied to troops from the farms at Wellington and Bangalore. In the case of the Wellington Farm milk was in accordance with this condition supplied to the Military at a price which is less than the cost of production.

The activities of the Farm at Karnal are two-fold, viz., (1) Cattle Breeding and Dairying and (2) Cultivation. All activities relating to cattle breeding and dairying are "Educational and Research", while those relating to cultivation are wholly "commercial". The decrease in 1930-31 in the profits of the Farm on the commercial side was due to smaller yield owing to absence of timely rains and diseased wheat crop, the grains received during the year weighing 11,000 maunds as against 17,000 maunds during 1929-30. Another cause was the fall in selling price due to the general trade depression. For instance, the selling rate of Rice (or Ziri) was Re. 1-13-4 per maund in 1930-31, as against Rs. 3-6-3 in 1929-30. In consequence of the fall in prices the standing crops on the 31st March 1931 had to be valued at considerably below the rate prevailing in the previous year.

The results of the Anand Creamery were not so favourable as they would otherwise have been owing to the general trade depression.

4. A comparative statement of the financial results of the remaining concerns is given below :—

Name of Concern.			
	1928-29 Profit + Loss—.	1929-30 Profit + Loss—.	1930-31 Profit + Loss—.
Cultivation Experiments	—37,850	—58,049	—78,027
Cattle Breeding experiments	—55,233	—65,331	—53,089
Kitchen Garden	—27	+13	—71
Sugar Cable Service	+1,690	+2,839	—98

The loss on Cultivation experiments has more than doubled since 1928-29. The figure for 1928-29 cannot however be adopted as a basis for comparison as the value of rabi crops of 1927-28 was also accounted for in that year, the rabi crops of 1927-28 having come into store in the year 1928-29 after the introduction of the system of commercial accounting, *vide* paragraph 324 of the Appendix to the Appropriation Accounts for 1929-30. In 1930-31 the expenditure on cultivation experiments was Rs. 8,931 less than in 1929-30, yet the loss in 1930-31 was Rs. 19,978 more than in 1929-30. This was due mainly to the low prices at which the farm produce was valued and also to lower crop produce on account of scanty rainfall.

The Sugar Cable Service showed a loss of Rs. 98 in 1930-31, although the expenditure in that year was Rs. 1,787-8-7 less than in 1929-30. This was due to the heavy fall in the membership of the Service (and consequently in the subscription receipts) on account of the continuous depression in the world's sugar trade since the last three years. Since the 1st April 1931 the Sugar Cable Service is under the control of the Imperial Council of Agricultural Research.

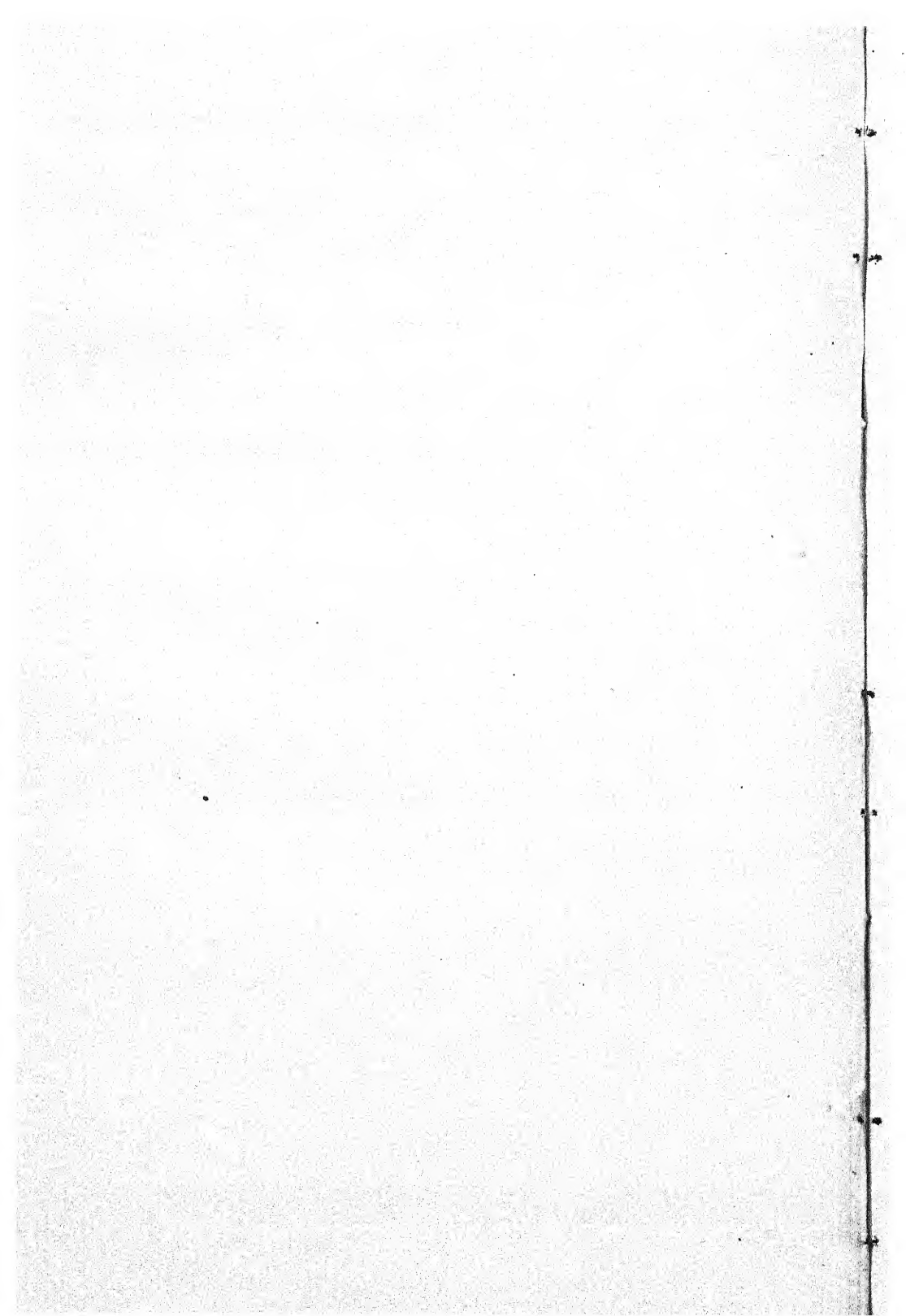
5. As regards the difference between the valuation and the sale price of cattle to which reference has been made by the Auditor General the following general considerations apply :—

- (1) Animals are sold when they are damaged by accident or disease. The value of an undamaged animal obviously bears no relation to its selling price in a damaged state.
- (2) The book value of an animal represents its cost price *plus* freight and other expenses, if the animal is acquired by purchase. Animals are purchased for scientific and experimental work and are sold in the local market when their usefulness has ceased or they have become unfit. Local market rates cannot be expected to approximate to the book value of such an animal at a forced sale.
- (3) Animals are sold when for any cause they are useless for the work required of them. For instance a cow which has become sterile cannot be sold at a price approximating to its book value when fertile.

6. In paragraph 214 of the Appendix to the Appropriation Accounts for 1930-31, reference is made to the question of converting lands at the Karnal Farm from "Batai" to home cultivation. If this were done the cultivation expenses in the budget of the Farm would increase and, with the low prices of agricultural produce which prevail at present, it is considered better to leave lands under "Batai" for the present. The "Batai" system gives some return without any appreciable expense. Yield under home cultivation is likely to be

better than under "Batai" but the former system means expense in the budget and the risk of a low return in an adverse season.

7. In paragraph 214 of the Appendix it is also pointed out that the outturn under "Home" cultivation during 1930-31, at the Karnal Farm was less than that obtained during 1929-30, while paragraph 195 brings to notice the reduction in the average milk yield per animal per day at the Bangalore Farm. These matters are being enquired into by this Department.



APPENDIX XVII.

Report showing the results of retrenchment in the Mathematical Instrument Office, Calcutta, furnished by the Department of Education, Health and Lands, with reference to paragraph 153 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

Since the year 1929-30 the working expenses of the Mathematical Instrument Office have been gradually reduced as detailed below :—

Year.	Total expenditure.
	Rs.
1929-30 (Actual)	4,00,640
1930-31 (Actual)	3,90,037
1931-32 (Revised estimates)	3,40,300
1932-33 (Budget estimates)	3,36,300

2. Leaving aside the unfixed charges relating to supplies and services and contingencies, the expenditure on salaries and wages also indicates a decrease as shown below :—

Year.	Amount.
	Rs.
1929-30 (Actual)	2,68,416
1930-31 (Actual)	2,66,810
1931-32	2,57,108 (This figure is not final.)

3. On account of the fall in the demand for instruments and in conformity with the present retrenchment campaign in the department, 14 men of the Workshop establishment have either been given notice of discharge or allowed to retire voluntarily which will result in a saving of about Rs. 650 a month or Rs. 8,000 a year. In addition, two vacancies in the clerical service and twelve in Class B and one in Foremen class of the Workshop establishment have not been filled up on account of the present financial stringency. Further, the temporary establishments have been reduced to the minimum in keeping with the work in hand, and the recent casualties in these establishments have not been replaced. All these measures of economy have resulted in the working expenses of the office being reduced by over half a lakh of rupees for the current year as will be apparent from the figures of actual expenditure for 1930-31 compared with those of the budget estimates for the current year (see paragraph 1).

4. Over and above the retrenchment programme enumerated above, the expenditure on home indents for mathematical instruments has practically been suspended. This step has been taken in consequence of the accumulation of stores carried over from previous years, due to abnormal fall in demands which again is a direct result of the world-wide economic depression.

5. Though the stores of the Mathematical Instrument Office have increased in volume, the cost of maintenance has been cut down to the absolute minimum compatible with safety. Any further reduction of this expenditure will be detrimental to the public interests and is therefore to be deprecated.

6. It is the Stores Section of the Mathematical Instrument Office which is now being run at a loss. It may, however, be pointed out that the loss sustained by the Mathematical Instrument Office during 1929-30 referred to by the Public Accounts Committee is more apparent than real, as it represents the interest @ 5.31 per cent. levied on the locked-up stock, which the Mathematical Instrument Office is compelled to maintain to the detriment of its efficiency as a commercial concern. As stated before, this accumulation of stores is the direct result of the abnormal fall in the demand for new and second-hand instruments from the Mathematical Instrument Office and until conditions become normal and survey operations and other new projects are started again the so-called loss cannot be avoided. To arrive at the correct perspective, the interest charges on the value of the repairable stores, mobilisation reserve stock and the dump stores—items which are not susceptible of commercial management—as also the share of the establishment charges for running the above 3 stores should be excluded from the Profit and Loss Account. If this were done, the loss would be reduced by over Rs. 10,000.

7. As anticipated, other departments have begun to send to the Mathematical Instrument Office old instruments for repairs in large numbers and during 1931-32, the workshop did exceptionally well in the matter of repair work. It is expected that this state of affairs will continue for some time to come, so that there will be enough repairs work to keep the remaining workshop establishment fully employed. It will, therefore, not be wise to reduce the establishment any further.

The following figures are submitted in support of the statements made in this and the preceding paragraph :—

Mathematical Instrument Office Out-turn.

Year.	Manufacture and second-hand instruments made serviceable.	air work carried out for outside departments.	Totals.
1927-28	3,97,618	1,54,093	5,51,711
1928-29	3,39,871	2,44,069	5,83,940
1929-30	3,08,334	2,21,510	5,29,844
1930-31	2,53,014	2,13,906	4,66,920
1931-32	1,69,969	3,16,900	4,86,869*

Every endeavour is being made to make the Mathematical Instrument Office a self-supporting concern and the workshop is being maintained on the minimum strength necessary to cope with all classes of work. If the establishments are retrenched any further, it will be difficult to replace the trained workmen when better times come. In spite of the present crisis, the workshop section is being run without any loss. Taking all facts into consideration, the conclusion seems to be irresistible that until better times come and the demand for instruments, etc., increases, there is hardly any possibility of the Mathematical Instrument Office as a whole,—i.e., Workshop and Stores Sections combined,—working at a profit.

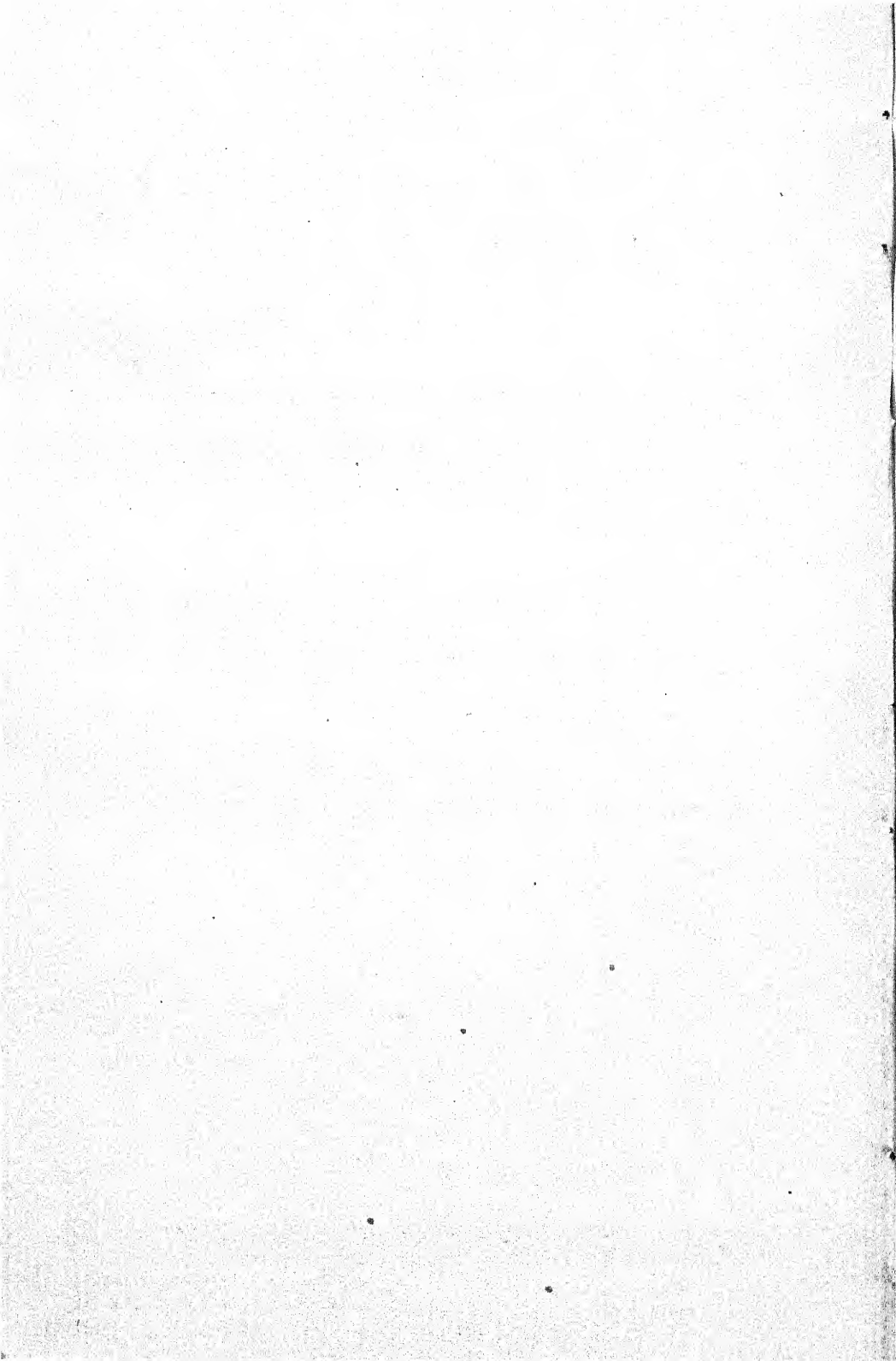
9. The system of commercial accounts was introduced in the Mathematical Instrument Office from the year 1927-28. It will be observed from the following figures that there has been a steady fall in the sale of instruments since

*This figure is not final.

that year. This is the main reason why the loss is increasing year after year on account of accumulation of instruments and interest charges thereon.

Year.				Amount of sale.	
				Rs.	
1927-28	5,60,829
1928-29	5,39,308
1929-30	4,20,131
1930-31	3,78,291
1931-32	1,71,700 (This figure is not final.)

10. The stock in hand cannot be disposed of at once, until there is a revival in the demand for instruments. The Mathematical Instrument Office is trying to dispose of them to the best advantage whenever reasonable opportunities offer themselves. But to try to dispose of them at once would mean considerable financial loss to Government. Compared with that loss, the so-called loss in the Profit and Loss Accounts will be the lesser of the two evils.



APPENDIX XVIII.

Report showing the results of retrenchment carried out in Scientific Departments under the control of the Department of Education, Health and Lands, furnished by that Department with reference to paragraph 155 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

PART I.

Grant No. 48.—Survey of India.

Immediately prior to the economic campaign and the receipt of orders for retrenchment, the organisation of the Survey of India was as follows :—

The Surveyor General assisted by a Class I Superintendent in charge of his office, designated as Assistant Surveyor General, administered the Department from Calcutta. There were 7 Directors in administrative charge of (a) 5 Topographical Circles, (b) the Geodetic Branch, and (c) the Map Publication Branch. There were 33 Superintendents holding executive charges and 22 Assistant Superintendents in Class I Service. The sanctioned strength of Class I was thus 63. There were 80 officers in Class II Service and 125 upper subordinates. The number of lower subordinates was nearly 2,100.

2. As a result of retrenchment the number of Circle Directors has been reduced from 6 to 3, and the Topographical Field Parties have been reduced from 10 to 6. The cadres of the various Classes of Service will ultimately be reduced as follows :—

	Present sanctioned strength.	Ultimate strength after retrenchment.
Class I Military including post of Mathematical Adviser..	52	30
<i>Class I promoted from Class II—</i>		
(a) Permanent charges 8 }	11	5 }
(b) Temporary charges 3 }		1 }
Miscellaneous Gazetted appointments	7	7
Class II	80	56
Upper Subordinates and Geodetic Computers ..	125	71
Lower Subordinates	2,100	1,500
	(approximately).	(approximately).

3. The General Purposes Sub-Committee of the Retrenchment Advisory Committee recommended that the net cost of the Department should not exceed Rs. 14 lakhs apart from sale proceeds of maps. It has not been found possible to accept the Sub-Committee's recommendation in its entirety. Government have considered various schemes of retrenchment and, subject to the Secretary of State's sanction on certain points, have decided to adopt the one mentioned above, under which the net cost of the Survey of India will be reduced to Rs. 21½ lakhs as against the sanctioned grant of Rs. 41½ lakhs for the year 1931-32. The new arrangements will come into full operation with effect from the year 1933-34, as a sum of Rs. 98,000 had to be allowed for the completion of certain unfinished works this year. If the Sub-Committee's recommendation to reduce the cost of the Survey to the net figure of Rs. 14 lakhs were adopted, all survey work except that required for military needs would have to cease. Such a result would be deplorable. The area so far mapped on modern lines is only about 5/9ths of India and maps of much of the portion still to be so mapped are urgently

required. The whole question has been very carefully examined in consultation with the Surveyor General and the Army authorities who are vitally interested in the question of mapping, and it has been calculated that only if the Survey of India budget is not reduced beyond Rs. 21½ lakhs net, can the Department be kept alive.

The expenditure and receipts (other than those on account of sale of maps) during the preceding three years compare as follows with the budget provision for 1932-33 :—

				Gross. Rs.	Recoveries. Rs.	Net. Rs.
1929-30 (Actuals)	..	..	..	65,06,335	24,79,158	40,27,177
1930-31 (Actuals)	..	..	..	60,98,804	23,31,369	37,67,435
1931-32 (Revised budget)	..	..	..	51,52,100	14,93,100	36,59,000
1932-33 (Estimated budget)	..	..	..	37,22,500	16,88,500	20,34,000 (allowing for ten per cent. emergency cut in pay.)

Receipts on account of sale of maps, etc., which are not taken in reduction of expenditure.

					Rs.
1929-30 (Actuals)	..	..	..	..	4,44,644
1930-31 (Actuals)	..	..	..	..	4,29,285
1931-32 (Revised)	..	..	..	..	4,15,000
1932-33 (Budget)	..	..	..	..	4,15,000

PART II.

Grant No. 51.—Botanical Survey.

The receipts and expenditure under this Demand for the current year and those of the last three years are as follows :—

				1929-30 Actuals.	1930-31 Actuals.	1931-32 Revised Budget.	1932-33 Budget estimates.
				Rs.	Rs.	Rs.	Rs.
Receipts	..	..	..	5,78,876	4,36,132	3,70,000	3,70,000
Expenditure	..	..	..	2,74,908	2,97,436	2,40,000	1,63,000

The original grant for 1931-32 was Rs. 2,98,000, viz., Rs. 58,900 for Botanical Survey proper, Rs. 2,37,100 for Cinchona Plantations and Rs. 2,000 for English Charges (High Commissioner) on Stores. The General Purposes Sub-Committee of the Retrenchment Advisory Committee recommended that the grant for the Botanical Survey proper should be reduced to a figure between Rs. 25,000 and Rs. 30,000 and that the post of Director, Botanical Survey of India, should be abolished. They also recommended that the grant for cinchona plantation should be reduced to Rs. 1,37,000.

The Government of India were unable to accept the recommendation for the abolition of the post of Director, who is only a part-time officer of the Government of India, but reduced the special pay which he gets for performing the

Director's duties from Rs. 400 to Rs. 300 a month and his conveyance allowance from Rs. 100 to Rs. 50 a month. A further total reduction of Rs. 19,000 was also made by cutting down the provision for allowances and contingencies and by abolishing the following posts :—

- 1 Systematic Assistant.
- 1 Assistant Curator, Industrial Section, Indian Museum.
- 2 Plant Collectors.
- 1 Clerk.
- 7 Inferior Servants.

The post of Assistant Curator has been retained for a period of six months to enable the retrenched official to train another officer who will be required to perform his duties.

The grant for cinchona plantation in Burma was reduced from Rs. 2,37,100 to Rs. 1,25,000. This reduction includes the saving effected by holding in abeyance the post of Assistant Superintendent, Cinchona Cultivation, Burma.

The total provision made for 1932-33 under this head is Rs. 1,63,000 (taking into account the savings due to the 10 per cent. emergency cut in pay) which is approximately the same as recommended by the General Purposes Sub-Committee.

PART III.

Grant No. 52—Zoological Survey.

The expenditure under this Demand for the last three years was as follows :—

1929-30 Actuals. Rs.	1930-31 Actuals. Rs.	1931-32 Revised budget. Rs.
2,03,150	2,12,862	1,87,000

There are no receipts in the Zoological Survey of India. The original budget grant for 1931-32 was Rs. 2,30,000. The General Purposes Sub-Committee of the Retrenchment Advisory Committee recommended that the grant to the Zoological Survey should be reduced to Rs. 60,000. In view however of the large number of zoological collections which had increased several fold during the last 15 years, it was not found possible to make suitable arrangements for their care and maintenance within the limit of the sum proposed by the Sub-Committee. The Government of India, therefore, decided to fix the budget allotment for 1932-33 at Rs. 1,22,500, which was considered to be the bare minimum. This amount was subsequently raised to Rs. 1,25,600 to provide for Andamans Fishery work which was formerly included in Demand No. 82—Andaman and Nicobar Islands. After allowing for the 10 per cent. emergency cut in pay, the estimated expenditure during the current financial year comes to Rs. 1,18,000. In order to effect the necessary economies in this grant the under-mentioned staff has been retrenched :—

- 1 Gazetted officer (*viz.*, Research Officer, Andaman Fisheries) ;
- 18 members of the subordinate technical staff ; and
- 18 members of the inferior staff.

In addition the post of Director has been kept unfilled during the absence of Lieutenant-Colonel Sewell on leave.

PART IV.

Grant No. 53.—Archaeology.

1. The Archaeological Department has suffered a reduction of Rs. 5,81,000 in its grant in response to the present call for economy, the total sanctioned grant for the year 1932-33 being Rs. 10,20,000 against Rs. 16,01,000 for the preceding year. A comparative statement showing the actual expenditure in 1929-30 and 1930-31 and the revised estimates for 1931-32 is enclosed.

2. *Staff.*—During the year 1931-32 before retrenchment there were 31 gazetted officers including those attached to the Exploration Branch. There are now only 22 such posts. Of these the post of Epigraphist for Persian and Arabic Inscriptions is held by a part-time officer and the post of Assistant Archaeological Chemist has been kept unfilled owing to the deputation of the permanent incumbent under the United Provinces Government.

The number of non-gazetted posts including those of inferior servants that have been abolished is 44 and the resultant saving Rs. 44,300.

3. *Conservation.*—The total cut under Conservation amounts to Rs. 2,39,600, the allotment for 1931-32 being Rs. 6,77,900 and that for the current year Rs. 4,38,300. This heavy reduction will prevent the Department from undertaking the preservation of national monuments, which is its most important function, on as large a scale as before.

4. *Archaeological Explorations.*—During the last five years the allotment under this head has been as follows :—

Year.	Rs.
1927-28	2,50,000
1928-29	2,46,300
1929-30	2,54,600
1930-31	2,54,400
1931-32	2,15,800

The allotment during the current year is only Rs. 47,400 which means a reduction of Rs. 1,68,400 from the figure for 1931-32. This figure includes the pay of the Special Officer for Exploration at Mohenjodaro and his staff consisting of 1 clerk, 1 photographer, 1 draftsman and 1 peon as well as the pay of three Custodians and their peons, one each at Mohenjodaro, Harappa and Nalanda to look after the Museums and buildings at those sites and to control visitors and collect fees from them. The amount left for actual works over the whole of the country including Burma is only Rs. 27,500. The Special Officer for Exploration and his staff will be discharged at the end of November 1932.

5. Other reductions made in the expenditure of the Department are the following :—

	Rs.
(a) Allowances, etc.	30,500
(b) Other supplies and services	7,300
(c) Contingencies	11,000
(d) Publication of Archaeological Materials	16,300

The reduction in the grant for allowances, etc., has been rendered possible by the curtailment of tours by officers and by the withdrawal of the exemption from the operation of the ten days' halt rules which had been enjoyed by the officers and staff of the Archaeological Department for some 30 years.

Statement showing the receipts and expenditure of the Archaeological Department during the years 1929-30, 1930-31 and 1931-32 and the anticipated receipts and expenditure for the current year 1932-33).

	1929-30 (Actuals).	1930-31 (Actuals).	1931-32 (Revised Estimates).	1932-33 (Budget).
	Rs.	Rs.	Rs.	Rs.
Expenditure	16,11,530	16,07,940	13,68,000	10,20,000
Receipts	59,562	52,449	51,100	52,000

PART V.

(i) Grant No. 55.—Other Scientific Departments.

A.—Central Museum.

The figures of expenditure relating to the Indian Museum during the last three years are as follows :—

			Gross.	Expenditure. Recoveries.	Net.
1929-30	53,300	8,300	45,000	(actuals).	
1930-31	51,812	8,300	43,512	„	
1931-32	49,300	8,300	41,000	(budget).	
1931-32	45,300	8,300	37,000	(revised estimate).	
1932-33	44,300	8,300	36,000	(budget).	

No information is at present available as regards receipts during these years.

The Government of India have decided not to make any provision for the purchase of art specimens until the financial position improves. As regards staff the Trustees have abolished the posts of Gate Clerk and two durwans which were created in connection with the opening of the Southern entrance of the Museum.

2. The anticipated expenditure during the current year amounts to Rs. 36,000 as compared with the original grant of Rs. 41,000 during 1931-32. As the provision in 1931-32 was less than the grant normally made to the Trustees by Rs. 2,000, the economy effected in this grant in consequence of retrenchment campaign amounts to Rs. 7,000.

(ii) Grant No. 55.—Other Scientific Departments.

B—Grants-in-aid to Scientific Societies and Institutes.

The actual expenditure for the last three years of the scientific institutions mentioned in this Demand under the sub-head “B—Grants-in-aid to Scientific Societies and Institutes” and the anticipated expenditure during the current year are as follows :—

Institutions.	1929-30. (Actuals). Rs.	1930-31. (Actuals). Rs.	1931-32. (Actuals). Rs.	1932-33. (Anticipated). Rs.
1. Indian Institute of Science, Bangalore	5,95,541	5,40,711	6,10,122	6,88,573
2. Bose Research Institute, Calcutta	1,06,553	1,06,657	1,03,000	82,000
3. Indian Association for the Cul- tivation of Science, Calcutta..	46,360	43,941	39,278	45,000
4. Asiatic Society of Bengal, Calcutta	72,924	64,281	64,208	59,850
5. Bhandarkar Oriental Research Institute, Poona	55,582	78,799	68,433	92,706

2. The amounts of the annual grants-in-aid which have been sanctioned for these institutions in the past are as follows :—

				Rs.
1. Indian Institute of Science, Bangalore	..	..	..	1,50,000
2. Bose Research Institute, Calcutta	..	..	..	1,03,000
3. Indian Association for the Cultivation of Science, Calcutta	..	..	..	20,000
4. Asiatic Society of Bengal, Calcutta	..	..	..	5,000
5. Bhandarkar Oriental Research Institute, Poona	..	..	..	5,000

The General Purposes Sub-Committee of the Retrenchment Advisory Committee did not feel justified in proposing any definite reduction in these grants, but recommended that Government should, if they considered it expedient, negotiate with such bodies and persuade them, if possible, to contribute their quota towards meeting the national exigencies. The Government of India have accordingly considered this question in consultation with the authorities of these institutions.

3. The amount of the Government of India's grant to the Indian Institute of Science, Bangalore, was fixed under a Vesting Order, dated the 27th May 1909. Under this Order the Mysore State and the Tata family also undertook to contribute towards the establishment and maintenance of this Institute. Legally the grant to the Institute cannot be reduced except by consent of all the parties. It is accordingly proposed very shortly to hold a conference of the representatives of these parties to consider the question of a temporary reduction of the Government of India's and the Mysore Government's grants in consequence of the present financial stringency as well as the question of a permanent reduction of the Mysore grant.

4. The annual grant-in-aid of Rs. 1,03,000 sanctioned for the Bose Research Institute, Calcutta, comprised a grant of Rs. 1,00,000 made under the orders of the Secretary of State for India for maintenance and research and Rs. 3,000 sanctioned by the Government of India for publications. The financial position of this Institute was examined, and it was found that a grant of Rs. 53,000 per annum would be sufficient for it. It was accordingly decided, with the approval of the Secretary of State for India, that the annual grant of Rs. 1,03,000 should be reduced to Rs. 53,000 from 1932-33 as a temporary measure, the position to be reconsidered when the financial conditions of the Government of India improved.

5. The question of reduction in the grants to the Indian Association for the Cultivation of Science, Calcutta, and the Asiatic Society of Bengal, Calcutta, was also considered in consultation with the authorities of those institutions, but it was found that no reduction was possible in these grants.

6. The Government of India sanctioned a grant of Rs. 5,000 a year to the Bhandarkar Oriental Research Institute, Poona, for a period of 10 years, with effect from the year 1930-31. The grant for 1930-31 and 1931-32 was paid in full. As regards the balance of the grant, *viz.*, Rs. 40,000, the Government of India have decided that the period for which this amount was to be paid to the Institute, should be extended from 8 to 10 years and that a grant of Rs. 4,000 per annum should be paid to it for a period of 10 years from 1932-33 instead of Rs. 5,000 per annum for 8 years as originally intended.

APPENDIX XIX.

Note on the question of the submission of Railway receipts by officials and non-officials in support of their claim for conveyance of motor cars, received from the Auditor General with reference to paragraph 192 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

At the meeting of the Public Accounts Committee held on the 5th December 1931 a member of the Committee asked whether it would not be advisable to obtain, as a rule, vouchers from members of the Legislature in support of their claim for the transport of motor cars by railway or steamer in view of the fact that some members submit railway receipts while others give only a certificate of actual expenses incurred. After a general discussion it was decided that a rule to that effect, if made at all, should be applicable to both officials and non-officials and the Auditor General was asked by the Chairman of the Committee to furnish for the information of the Committee a note indicating the extent to which it would be necessary to make a rule of this kind generally applicable and to point out what other analogous cases would arise.

2. The procedure of auditing charges for transporting conveyances, etc., of Government servants on transfer, so far as Government servants under the Central Government are concerned, is regulated by rule 116 (e) of the Supplementary Rules issued by the Government of India. This rule requires that a certificate should be furnished to the effect that the actual expense incurred was not less than the sum claimed, and that the certificate should give details of the conveyances or horses transported. In such cases audit accepts the certificate without calling for the railway receipts on the consideration that it is the duty of the controlling officer to assure himself of the reasonableness of the claim. This rule was based on clause E of revised Article 1094, Civil Service Regulations, which was circulated with the Government of India, Finance Department, letter No. 904-E.B., dated the 10th May 1920.

3. In 1916, an audit officer raised the question whether charges for the carriage by rail or steamer of the personal effects, motor vehicles, horses, etc., should be supported by receipts from the railway or steamer companies, the then Auditor General ruled that in such cases receipts from the railway or steamer companies should *ordinarily* be obtained from the Government servant preferring the claim but that personal certificates of payment might be accepted at the discretion of the audit officers. In May 1920 consequent on the issue of the revised Civil Service Regulations rules relating to travelling allowance on transfer, revised instructions were issued to audit officers that the charges in question should be admitted on certificates of payment as the revised rules provided for the admission of these claims on certificates given by the Government servant preferring the claim.

4. In 1924, the Accountant General, Posts and Telegraphs, had occasion to conduct an enquiry into the reliability of these certificates unsupported by vouchers and as a result of his enquiry he came to the conclusion that there were a good many improper claims. This was brought out by him in his Audit Report for 1923-24. The matter was discussed at the meeting of the Public Accounts Committee who observed that the confidence reposed by Government under the revised travelling allowance rules in the declaration of the Government servants making claims and in the sense of responsibility of the controlling officer had been found to have been misplaced and recommended that Government should consider the desirability of taking steps to remedy the unsatisfactory state of affairs.

5. No orders were passed by the Government of India on the recommendation of the Public Accounts Committee. A further investigation was made however by the Auditor General in 1926 to ascertain whether a similar state of things existed in the civil department also. The result of the investigation showed that though there was no actual example of the abuse of the rules there was reason to suppose that the possibilities of such abuse did exist. Two courses were therefore sug-

gested for the consideration of the Government of India—namely (1) the adoption of the Bengal procedure which required the attachment of the railway and steamer companies' receipts and personal certificates to each bill concerned, and (2) the Bombay procedure which required full details of the weight of the personal effects actually carried and the amount actually paid for their transport to be set forth in the declaration which accompanies the travelling allowance bill. Eventually, after consultation with the Auditor General, the Government of India adopted the latter course, that is the Bombay procedure, and this has been embodied as a note under rule 116 (e) of the Government of India Supplementary Rules. The Bombay Government, however, appear to have provided in their Supplementary Rules for the submission of railway or steamer receipts also in such cases but discretion has been given to the Audit Officer to accept a certificate in cases where he considers this course advisable.

6. It is submitted that there can be no objection to the insertion of a rule in the Supplementary Rules of the Central Government providing for the submission of railway or steamer receipts in support of the claim for carriage of conveyances by rail or steamer. Insistence on the production of railway or steamer receipts cannot be considered as unusual. Government is quite within its rights in desiring to ensure that money given for an object is expended on that object. The introduction of such a rule should not cause difficulties either in administration or in audit except in cases where the receipt has been lost or has been surrendered to the railway or steamer authorities without a cash receipt having been obtained in exchange. In such circumstances it is sometimes difficult to obtain a duplicate receipt but this complication can be overcome by giving the audit officer discretionary power to dispense with the production of receipts and to accept a certificate where it is shown that receipts can be obtained only after a disproportionate amount of trouble. It may be added that the submission of the railway or steamer receipts in cases where conveyances are carried by rail or steamer has been provided for in the Supplementary Rules of the Local Governments of the Punjab, Assam, Central Provinces, Burma, Bengal and also in Bombay. There was similar provision in the Supplementary Rules of the Madras Government but it appears to have been deleted.

7. If it is decided to introduce this procedure in the rules applicable to Government servants, it may also be adopted in respect of claims preferred by non-officials, such as members of the Legislature, etc. In the latter case provision will have to be included in the separate rules promulgated by the Government of India, Finance Department in their Resolution No. F.9/XXVII-R.I-30, dated the 22nd April 1930, for regulating the travelling allowance of the members of the Legislature.

APPENDIX XX.

Memorandum on the question whether Railways are charged for any overdrafts on general revenues on current account, etc., furnished by the Finance Department, with reference to paragraph 54 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

In para. 54 of the proceedings of the 4th meeting of the P. A. C. on the accounts of the year 1929-30, the question was raised whether Railways were charged for any overdrafts on general revenues on current account and whether the relations between the Railways and Government, as client and banker respectively, were on a proper basis, and that the Committee desired to have a memorandum on the subject.

2. The Railways are not charged interest for any overdrafts on current account nor are they given any interest in respect of any surplus balances on the same account. An analysis has been made of the figures of net revenue transactions of commercial lines from month to month in two typical years, 1928-29 and 1930-31, *vide* enclosure. In the former year the Railways were able to transfer Rs. 2,58 lakhs from their revenue account to Reserve Fund and in the latter they had to transfer Rs. 10,92 lakhs from the Reserve Fund in aid of their revenue account. In working out the monthly figures the following procedure has been adopted :

- (i) *Interest chargeable to Railways.*—Certain interest payments which relate to specific Railway loans, are adjusted in the Home accounts from month to month as the transactions actually occur. But in addition to these, a sum of about Rs. 16 crores in 1928-29 and about Rs. 18½ crores in 1930-31 had to be adjusted in lump against Railways in the Indian accounts representing interest on what is called non-specific debt of Railways. There are no fixed dates for these adjustments. In the enclosed statement the adjustment of interest on non-specific debt has been made in two equal instalments in September and March.
- (ii) *Contribution payable by Railways to general revenues.*—No specific date during the year has been prescribed for the payment of the annual contribution to general revenues by Railways. In the enclosed statement the payment of the contribution has been adjusted in March.

3. It will be seen from the enclosure that the progressive figures of transactions in 1928-29 indicate that the Railways had a credit balance on current account throughout the year. In the year 1930-31, however, the net figures indicate that the Railways had a debit balance on current account during the months of September to January.

If interest had been charged and paid in respect of debit and credit balances at an average rate of 2 per cent. per annum, the Railways would have had to pay about Rs. 1 lakh to general revenues in 1930-31, whereas they would have received about Rs. 9½ lakhs from general revenues in 1928-29.

ENCLOSURE TO APPENDIX XX.

COMMERCIAL RAILWAYS.

Net Receipts or Withdrawals.

(In lakhs of rupees.)

				1928-29.		1930-31.			
				Net	Net	Net	Net	Net	Net
				Receipt.	Withdrawal—	Receipt +	Withdrawal—	Receipt +	Withdrawal—
				Monthly.	Progressive.	Monthly.	Progressive.	Monthly.	Progressive.
April	..	..	..	+ 1,00	+ 1,00	— 8	— 8	— 8	— 8
May	..	..	..	+ 3,30	+ 4,30	+ 2,02	+ 1,94	+ 2,02	+ 1,94
June	..	..	..	+ 2,61	+ 6,91	+ 2,44	+ 4,38	+ 2,44	+ 4,38
July	..	..	..	— 93	+ 5,98	— 1,49	+ 2,89	— 1,49	+ 2,89
August	..	..	..	+ 1,24	+ 7,22	+ 45	+ 3,34	+ 45	+ 3,34
September	..	..	..	— 6,81	+ 41	— 9,24	— 5,90	— 9,24	— 5,90
October	..	..	..	+ 4	+ 45	— 24	— 6,14	— 24	— 6,14
November	..	..	..	+ 3,03	+ 3,48	+ 1,95	— 4,19	+ 1,95	— 4,19
December	..	..	..	+ 3,62	+ 7,10	+ 2,62	— 1,57	+ 2,62	— 1,57
January	..	..	..	+ 1,39	+ 8,49	+ 7	— 1,50	+ 7	— 1,50
February	..	..	..	+ 3,55	+ 12,04	+ 2,05	+ 55	+ 2,05	+ 55
March	..	..	..	— 5,09(a)	+ 6,95(a)	+ 7,32(b)	+ 7,87(b)	+ 7,32(b)	+ 7,87(b)
					— 6,87(c)		— 7,46(c)		— 7,46(c)

(a) Includes 2·58 transferred to the Reserve Fund.

(b) Includes 10·92 transferred from the Reserve Fund.

(c) Contribution payable to general revenues.

APPENDIX XXI.

Report on the work of the experimental Fruit Farm at Quetta, furnished by the Department of Education, Health and Lands with reference to paragraph 112 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

With reference to paragraph 112 of the Proceedings of the Public Accounts Committee on the Accounts of 1929-30, the undersigned is directed to forward, for the Committee's information, a copy of a report* from the Agricultural Officer in Baluchistan on the work of the Experimental Fruit Farm at Quetta during the year 1931-32. A copy of a letter* from the Agent to the Governor General in Baluchistan, No. 5692-R., dated the 26th September, 1931, regarding the work of the Farm during 1930-31 is also enclosed.

2. In the Agent to the Governor General's letter referred to above, the loss on the Farm during 1930-31 is stated to have been Rs. 7,050. The memorandum furnished by the Auditor General with reference to paragraph 112 of the Proceedings of the Public Accounts Committee relating to the accounts of 1929-30 (Appendix X) puts the loss at Rs. 21,210, but Rs. 14,440 of this was due to the depreciation of fruit trees, rose trees, nursery stock and punnets and crates, and the Auditor General's memorandum was prepared on a strictly commercial basis.

3. The Public Accounts Committee desired, it is understood, to have concise information on two particular points, viz., (1) area under orchards and (2) exports of fruit by rail. The facts as to these are as follows:—

(1) *Area under orchards.*

1920-21	2,528 acres (approximately).
1930-31	..	..	..	..	..	4,574 acres (approximately).

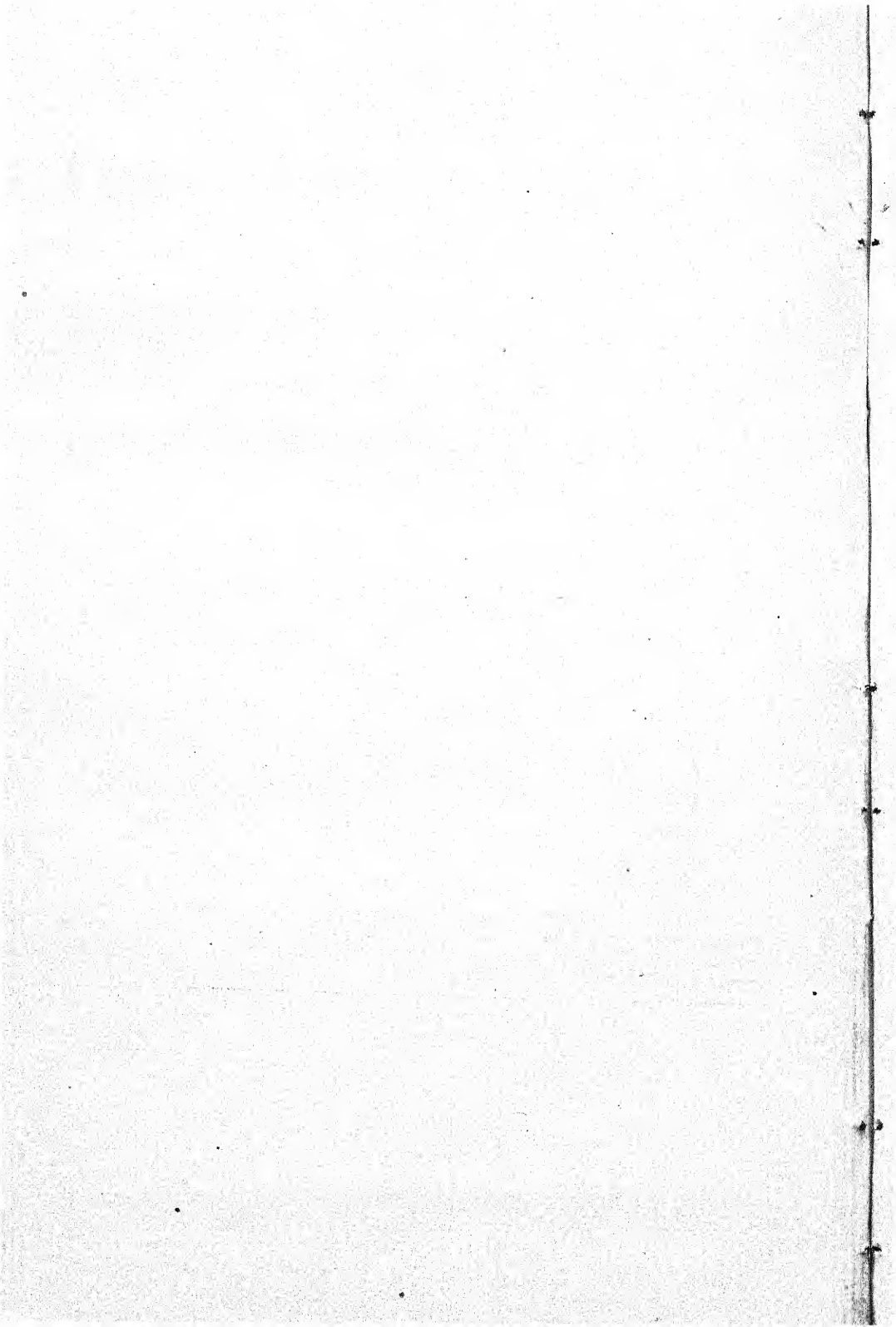
Figures of increase or decrease during each year of the above period or in 1931-32 are not available.

(2) *Exports of fruit by rail.*

1922-23	..	..	..	..	..	64,229 maunds.
1929-30	..	..	..	..	..	1,74,507 „
1930-31	..	..	..	..	..	97,290 „
1931-32	..	..	..	..	..	1,53,305 „

4. It may be mentioned for the information of the Public Accounts Committee that at their meeting held on the 23rd January, 1932, the Standing Finance Committee agreed to the continuance of the Farm, irrespective of its income. An extract* from the proceedings of the meeting is herewith forwarded.

*Not printed here.



APPENDIX XXII.

Memorandum furnished by the Auditor General regarding the method of calculation of percentage of establishment charges to expenditure on works in the Posts and Telegraphs Department (vide paragraph 37 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30).

1. The construction, renewal or replacement of Telegraph or Telephone lines and Apparatus and Plant requires more technical knowledge than ordinary Public Works Department works and is therefore carried out by Departmental staff mostly permanent. The same staff is employed also on maintenance and repair works. The result is that in most cases the cost of establishment is not charged to 'Works' although in the corresponding cases in the Public Works Department, the cost of similar establishment is charged to 'Works'. The percentage of establishment charges to expenditure on works in the different Engineering Circles shown in paragraph 61 of the Appropriation Report for 1928-29 was worked out not so much with a view to institute a comparison with the Public Works Department as to scrutinise variations from year to year and between the different circles in the same year. No attempt was made to separate the cost of establishment employed on the actual execution of works from the cost of other establishments. The total cost of the entire establishment engaged on original works, repairs, maintenance and supervision was compared with the total expenditure on works (exclusive of the addition on a percentage basis on account of establishment charges). The percentages shown in paragraph 61 of the Report for 1928-29 were therefore high.

2. The Public Accounts Committee suggested in its Report for 1928-29 (vide paragraph 22 of the Proceedings) that the rules relating to the classification of establishment charges should be examined to see whether the Public Works Department system of charging establishment direct to the work or project cannot be adopted in the Telegraph Engineering Department. Such a procedure, however, presents special difficulties owing to the difficulty of keeping the staff employed on construction works separate from that employed on maintenance works. Government have issued orders that for Line works costing more than Rs. 5,000 each, temporary posts of linemen should be created and the cost of the personnel employed in such posts should be included in the estimates of and charged direct to, the works concerned. The changes in procedure which are necessary to give effect to these orders are under the consideration of the Financial Adviser. It has not yet been considered whether similar treatment can be accorded to the staff for Apparatus and Plant works, probably because of the technical nature of these works.

3. It will be seen from what has been stated above that the system of accounting of establishment charges and works expenditure obtaining in the Posts and Telegraphs Department is different from that adopted in the Public Works Department. In order, however, to institute a comparison with the latter, the percentages shown in paragraph 61 of the Report for 1929-30 and in paragraph 84 of the Report for 1930-31, were worked out more or less on the lines obtaining in the Public Works Department by making a special compilation of Establishment charges for the purpose. The charges which, under the Public Works Department procedure, ought to have been debited to 'Works' but which were booked in the Posts and Telegraphs accounts under 'Establishment', were as far as possible, deducted from booked establishment charges and added to works expenditure. This method is open to the objection that the figures have not been derived directly from the accounts.

4. Another flaw in the method adopted is in connection with works executed by the Posts and Telegraphs Department on behalf of other parties (e.g., Railways, Canals, private bodies, etc.). The accounting procedure in the Posts and Telegraphs Department in regard to these works, is different from that in the Public Works Department. In the latter, the recoveries effected on account of cost of establishment or works are booked as *minus* expenditure under the establishment or works heads to which the charges are originally debited, but in the Posts and Telegraphs Department the amount recovered, on a percentage basis, on account of cost of Departmental staff engaged on the execution of the

work, cost of supervision and of overhead charges (*e.g.*, Direction, Account and Audit, Control), is booked under Abstract "0—Credits to Working Expenses", whereas recoveries on account of 'Cash and Stores' are booked as *minus* figures against expenditure. The percentages shown in the Appropriation Reports are therefore slightly inaccurate. The question of changing the procedure has, however, been left over till the Financial Adviser's orders regarding proper allocation of charges for line staff are received. Till then the extent of the inaccuracy arising from this cause will be indicated in the Reports by showing therein, as one of the factors explaining the variations in the figures from year to year and between the different circles, the total cost of contribution works in each circle. The figures for 1930-31 are given in the enclosed statement marked "B" (Annexure D).

5. Another factor that requires consideration in this connection is the value of stores recovered from works, which goes to reduce 'Works expenditure'. The accounts show only the net amount but the recovery of stores and their return to stock is a part of the work executed. The cost of supervision exercised thereon is included under 'Cost of establishment'. Strictly speaking therefore the value of recovered stores should also be included under 'Works expenditure'. This will, however, necessitate a laborious compilation from the 'Works registers' maintained by the Branch Audit Offices. In view of this and also because the amount involved is not likely to vary appreciably from year to year it has not been taken into account in working out the percentages.

6. There are also certain Joint charges (*viz.*, Direction, Control, Account and Audit) which cannot be easily apportioned. As, however, the increase or decrease in such charges will affect the cost of establishment of all the Engineering circles, more or less, in the same proportion, they have been for the purpose of this comparison excluded.

7. It may be mentioned here that the Posts and Telegraphs Department does not regulate its establishment with reference to the percentage figures given in the Appropriation Reports. The cost of establishment, *i.e.*, supervision, is closely connected with the constitution of the Engineering Divisions and Sub-Divisions which are determined not merely with reference to the volume of work executed but also by geographical considerations and the number of Telegraph and Telephone lines and offices and cables to be controlled. No definite standards can, therefore, be laid down for the constitution of Divisions and Sub-Divisions. The Directorate has also not found it possible to evolve a precise or satisfactory formula for determining the number of Engineering Supervisors and clerks to be allowed for each Division. The principle followed in sanctioning the Engineering Supervisors is to divide the Sub-Divisions into sections of such extent as, in the experience of the Department, can be effectively supervised by one Engineering Supervisor. The clerical strength of the Divisional Offices is fixed by the Heads of Circles after a personal inspection of the offices.

8. Regarding the staff engaged on the actual execution of works, scales have not yet been fixed for regulating the staff employed on Apparatus and Plant works. The question of evolving a suitable standard for this work is under the consideration of the Director General. Scales have, however, been fixed for the line staff including Sub-Inspectors, on the basis of the total mileage of coupled post lines single post lines with transposed wires, etc. As information regarding these is not available in the Audit Offices, the sanctions to line staff will be checked, as far as possible, during local inspections with a view to see that they are based on approved standards. It will also be seen during inspections whether the clerical and other staff in the Divisional Offices is excessive. The percentage cost of establishment to expenditure on works, worked out in the Appropriation Reports, will serve to indicate the circles where such investigations may be particularly necessary.

9. As desired by the Public Accounts Committee in its Report on the accounts of 1929-30 (*vide* paragraph 37 of Proceedings), a statement marked 'A' is enclosed (Annexure A), giving full details of the expenditure for 1930-31, working up to the total cost. Another statement marked 'B' is also enclosed (Annexure D), explaining the variations in the percentages of different circles. The information contained in these statements was not ready in time for incorporation in the Appropriation Report for 1930-31.

ANNEXURE A TO APPENDIX XXII.

'A'

Statement showing details of "Works expenditure" for 1930-31 as given in paragraph 84 of the Appropriation Accounts of the Posts and Telegraphs Department for 1930-31.

Heads of Account.	Names of Engineering Circles.							Total.
	Burma.	Eastern.	Northern.	Southern.	United Provinces.	Western.	Sind and Baluchistan.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
F. I.—Repairs to Apparatus and Plant ..	8,930	14,100	24,572	9,500	6,000	2,000	2,616	67,718
F. II-A.—Repairs to Buildings ..	14,649	4,957	10	2,477	..	836	868	23,797
F. II-B.—Repairs to Apparatus and Plant ..	65,134	1,24,483	1,39,483	51,382	62,231	1,13,457	31,066	5,87,236
Total F. II-C.—Maintenance of Telegraph and Trunk Telephone Lines.	4,37,235	5,70,054	5,43,569	3,62,483	2,41,485	6,74,509	2,02,423	30,31,758
J. II.—Repairs to Buildings ..	72,570	3,376	30,603	27,120	23,846	7,634	3,039	1,68,188
K.—Repairs to Buildings ..	11,291	5,224	36,780	10,159	11,531	14,635	1,669	91,289
M. I-A.—Repairs to Apparatus and Plant ..	42,227	43,975	1,57,502	28,814	54,942	43,502	11,266	3,82,228
M. I-A.—Repairs to Buildings ..	527	..	11,047	381	1,749	2,817	641	17,162
M. I-B.—Maintenance of Local Telephone Lines	49,926	1,05,310	2,13,095	41,663	79,514	70,176	17,845	5,77,529
56-I (a)—Building (executed by the Department) Postal, Telegraphs and Telephones.	48,373	33,854	1,82,391	37,473	4,10,219	48,254	5,925	7,66,489
Total Carried over ..	7,50,862	9,05,333	13,39,052	5,71,452	8,91,517	9,77,820	2,77,358	57,13,394

Heads of Account.	Names of Engineering Circles.							Total.
	Burma.	Eastern.	Northern.	Southern.	United Provinces.	Western.	Sind and Baluchistan.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Brought forward ..	7,50,862	9,05,333	13,39,052	5,71,452	8,91,517	9,77,820	2,77,358	57,13,394
56-I (a) Telegraphs and Telephones—Lines and Wires.	1,32,956	12,63,488	97,847	10,49,497	34,081	6,47,311	1,87,839	34,13,019
56-I (a)—Telegraphs and Telephones—Apparatus and Plant.	19,288	72,405	1,05,520	40,902	60,330	18,227	18,808	3,35,420
56-I (a).VIII—Expenditure awaiting allocation between Major Heads.	6,856	9,579	20,378	6,200	3,600	7,413	1,800	55,826
56-I (b)—Buildings (executed by the Department) Postal, Telegraphs and Telephones.	3,509	2,969	1,677	280	1,925	1,931	..	12,117
56-I (b)—Telegraphs and Telephones—Lines and Wires.	40,215	1,45,986	91,164	2,43,607	11,233	2,02,791	—3,178	7,31,818
56-I (b)—Telegraphs and Telephones—Apparatus and Plant.	19,584	59,756	61,207	37,510	4,548	4,590	4,066	1,91,261
F.-II-B.—The cost of Establishment engaged on direct labour which has been treated as works expenditure.	46,789	79,710	73,664	54,737	54,904	1,18,778	29,472	4,58,054
M.-I.-A.—The cost of Establishment engaged on direct labour which has been treated as works expenditure.	84,473	2,03,482	4,25,425	80,798	1,25,341	1,33,593	31,902	10,86,014
Total Works Expenditure ..	11,04,472	27,42,708	22,15,934	20,84,983	11,88,479	21,12,454	5,48,067	1,19,96,923

ANNEXURE B TO APPENDIX XXII.

Statement showing details of 'cost of establishment' as given in paragraph 84 of the Appropriation Accounts of the Posts and Telegraphs Department for 1930-31.

Heads of Account, etc.	Names of Engineering Circles.						Total.
	Burma.	Eastern.	Northern.	Southern.	United Provinces.	Western. Baluchistan.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Total F. II-A. Supervision, etc. (excluding Repairs to Buildings) Cash and Stores.	3,60,417	5,14,896	3,98,181	2,75,362	2,16,580	4,65,886	23,34,055
F. II. B.-Maintenance of Telegraph Offices, etc. Pay of officers.	17,652	17,136	10,114	9,925	18,462	16,820	96,381
F. II-B. Proportionate share of allowances and contingencies.	4,014	3,791	2,280	2,230	4,014	3,791	21,408
M. I-A. Pay of officers, pay of Assistant Cable Engineer and pay of Cable Supervisor.	..	15,250	46,145	2,940	15,015	18,283	1,03,033
M. I-A. Proportionate share of allowances and contingencies.	..	3,870	11,868	774	3,870	4,644	26,316
Total cost of Establishment ..	3,82,083	5,54,943	4,68,538	2,91,231	2,57,941	5,09,424	25,81,193

ANNEXURE C TO APPENDIX XXII.

Statement showing percentages of "Establishment charges" to "Works expenditure" in respect of the year 1930-31, as given in paragraph 84 of the Appropriation Accounts of the Posts and Telegraphs Department for 1930-31.

	Burma.	Eastern.	Names of Engineering Circles.			Sind and Baluchistan.	Total.
			Northern.	Southern.	United Provinces.		
"Total works expenditure (in thousands of Rupees).	1,104	2,743	2,216	2,085	1,189	548	11,997
"Total cost of Establishment (in thousands of Rupees).	382	555	469	291	253	117	2,581
Percentage of Establishment charges to Works Expenditure.	34.6	20.2	21.2	14.0	21.7	21.4	21.5

ANNEXURE D TO APPENDIX XXII.

"B".

Causes of the variations in the percentages of different circles, as given in paragraph 84 of the Appropriation Report of the Posts and Telegraphs Department for 1930-31.

(a) *Northern Telegraph Engineering Circle.*

The main factor for the increase in the percentage for 1930-31 was the reduction of Capital expenditure and less issue (than in 1928-29 and 1929-30) of costly stores such as copper wire and underground cable. Besides, adjustment during 1930-31, on account of abandoned assets and replaced work (by debit to Depreciation Fund and credit to capital) resulted in a reduction of capital expenditure by more than a lakh of Rupees.

The total cost of works executed by the Posts and Telegraphs Department on behalf of other parties in 1930-31, amounted to Rs. 15,830. If this is added to 'works expenditure', the percentage for the circle for the year, would be slightly reduced (*viz.*, from 21.2 to 21.0).

(b) *Southern Telegraph Engineering Circle.*

The reduction in the percentages from year to year, is due to increase in works expenditure, on account of increasingly heavy demands from Railways. The marked increase in works expenditure in 1930-31 (although there has been a decrease in the cost of establishment compared with that for 1929-30), is mainly due to the issue of costly stores for the Nizam's State Railway and other Railways.

The total cost on account of works executed by the Department in 1930-31 on behalf of other parties amounted to a sum about Rs. 1,07,000. If this amount is added to 'works expenditure', the percentage for the year will be considerably reduced, *viz.*, from 14.0 to 13.3.

(c) *Western Telegraph Engineering Circle.*

The number of major and minor works involving heavy expenditure carried out during 1929-30 was more than that during 1928-29. This explains the decrease in the percentage in the former year.

The increase in the percentage for 1930-31 (although there has been an increase in the 'works expenditure') is due to the comparative increase in that year, in the 'cost of establishment' brought about by (1) change of incumbents and increase in the number of gazetted officers for certain months of the year, (2) addition of staff in the grade of Engineering Supervisors, and (3) Revision of establishment.

The total cost of works executed on behalf of other parties during 1930-31 amounted to about Rs. 1,05,000. The inclusion of this amount under 'works expenditure' would mean a reduction in the percentage for the year from 24.1 to 22.9.

(d) *United Provinces Engineering Circle.*

The low percentage for 1929-30 compared with that for 1928-29 is mainly due to the execution of a larger number of works (particularly building works carried out through departmental agency), without corresponding increase in the cost of establishment.

The large increase in the percentage for 1930-31 compared with that of the previous year, is due to the elimination of figures both under 'works expenditure' and 'cost of establishment', owing to the transfer of the Patna Division to the Eastern Engineering Circle since 1930-31 and also to the issue of less costly stores than in 1929-30.

There was only an expenditure of about Rs. 1,000 in 1930-31 on account of works executed on behalf of other parties.

(e) *Burma Telegraph Engineering Circle.*

The high percentages for 1929-30 and 1930-31, compared with that for 1928-29, are to be attribute to a fall in 'works expenditure' due to the full programme of works (particularly Railway projects) not having been carried out.

The total cost during 1930-31 on account of work executed on behalf of other parties amounted to about Rs. 69,000, which if added on to 'works expenditure' will reduce the percentage for the year from 34.6 to 32.6.

(f) *Eastern Telegraph Engineering Circle.*

There is practically no difference between the percentages for 1928-29 and 1929-30. The decrease in the percentage for 1930-31 is due (i) to the inclusion of the figures for the Patna Division [*vide* remarks under (d) above] and also (ii) to the issue of costly stores valued at about Rs. 3,31,000 during the year, in connection with the diversion of lines over the Bally Bridge.

The cost of works executed in 1930-31, on behalf of other parties amounted to about Rs. 43,000. If this is included in the 'works expenditure' the percentage for the year would be reduced from 20.2 to 19.9.

(g) *Sind and Baluchistan Telegraph Engineering Circle.*

Several big works involving in some cases, issues of costly stores, were carried out during 1929-30 and this largely explains the fall in the percentage in that year as compared with the other years.

There was an expenditure of Rs. 15,261 in respect of works carried out during 1930-31 on behalf of other parties. If this amount is included under 'works expenditure', the percentage for the year will be reduced from 21.4 to 20.8.

(h) *The Engineering Branch as a whole.*

The comparatively low percentage for 1929-30 is due to the execution of a larger number of works in most of the Engineering Circles (than either in the previous or in the following year) involving in some cases the issue of costly stores.

There is no marked difference in the percentages for 1930-31 shown under the different circles, except in the case of Burma and the Southern Circles. The percentage in the former circle is the highest and is more than that for the Department as a whole by 13.1. This is due to the high cost of establishment in that circle. It is seen that the cost in that circle is more than that in the Southern Circle (where the percentage is the lowest) by about Rs. 90,000. Though the former is smaller in size than the latter, the staff there is more, as shown below :—

	Burma Circle.	Southern Circle.
Divisional Engineers	3	3
Sub-Divisional Officers .. .	11	7
Engineering Supervisors .. .	28	31
Divisional Accountants .. .	4	3
Clerical establishment .. .	62	49

The difference in pay alone between the two circles in respect of the above staff is about Rs. 30,000. A further difference of about Rs. 60,000 is noticed under "Allowances, Honoraria, etc.'".

APPENDIX XXIII.

Note regarding retrenchments in the India Store Department, London, furnished by the Department of Industries and Labour, with reference to paragraph 140 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

This note is presented with reference to paragraph 140 of the proceedings of the meetings of the Public Accounts Committee on the accounts of 1929-30, printed in Volume I of their Report.

2. The question of retrenchment and re-organization in the India Store Department, London, was examined by a Departmental Committee appointed by the High Commissioner. After a comprehensive scrutiny of the detailed working of the various branches of that Department the Committee expressed the opinion that no drastic reduction in staff was feasible immediately. In view, however, of such decrease as has been found in the work of the Department (which previously employed a total staff of 417) the Committee recommended the reduction of the following posts :—

Administrative Staff.

Unless otherwise stated, the salaries are subject to addition in respect of Civil Service cost of Living Bonus.

					£
					(Per annum.)
1	Director of Purchase	..	..	..	800—50—1,000
1	Controller	..	..	..	600—20—800
3	Principal Executive Officers	..	..	..	450—15—600
2	Higher Executive Officers	..	..	..	400—15—500
4	Executive Officers	..	..	..	100—10—130
	Higher Clerical Officers	..	..	..	—15—400
11	Clerical Officers	..	..	..	300—15—400
					Men 60—250 and Women 60—180

Technical Staff.

1	Assistant Electrical Engineer	..	..	..	300—15—450
4	Inspectors	..	..	..	310—15—400
6	Assistant Inspectors	150—5—165— 10—300

Typing Staff.

3	Shorthand Typists	28s.—2s. 6d.—46s. a week each (with- out bonus).
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Warehouse Staff.

4	Foremen	35s.—2s.—45s. a week each.
1	Fitter	45s. a week <i>plus</i> Industrial bonus.
1	Leading Sawyer	..	..	Ditto.
3	Sawyers	..	..	2 @ 31s. 6d. a week each and 1 @ 29s. 6d. a week <i>plus</i> Industrial bonus.

1 Assistant Mechanic	..	..	32s. a week <i>plus</i> Industrial bonus.
2 Leading Labourers	..	..	29s. 6d. a week each <i>plus</i> Industrial bonus.
36 Labourers	13 @ 27s. 6d. a week each, and 23 @ 25s. 6d. a week each <i>plus</i> Industrial bonus.

Subordinate Staff.

1 Messenger 29s.—1s.—34s. a week.
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3. The above reductions have been given effect to and have resulted in a saving of Rs. 2,33,000 in the budget estimates of 1932-33. In addition, under the headings " Professional Inspection of Stores " and " Office contingencies, etc. ", the High Commissioner has, on the Committee's suggestion, achieved savings amounting to Rs. 3,10,000 and Rs. 1,26,000, respectively, as compared with the gross grant for the previous year. The total savings during the current year compared with the budget of 1931-32 amount to Rs. 6,69,000. This reduction does not represent the full effect of the retrenchment proposals as all the savings intended could not be given effect to from the 1st April 1932. The total savings over a full financial year will amount to Rs. 7,09,000.

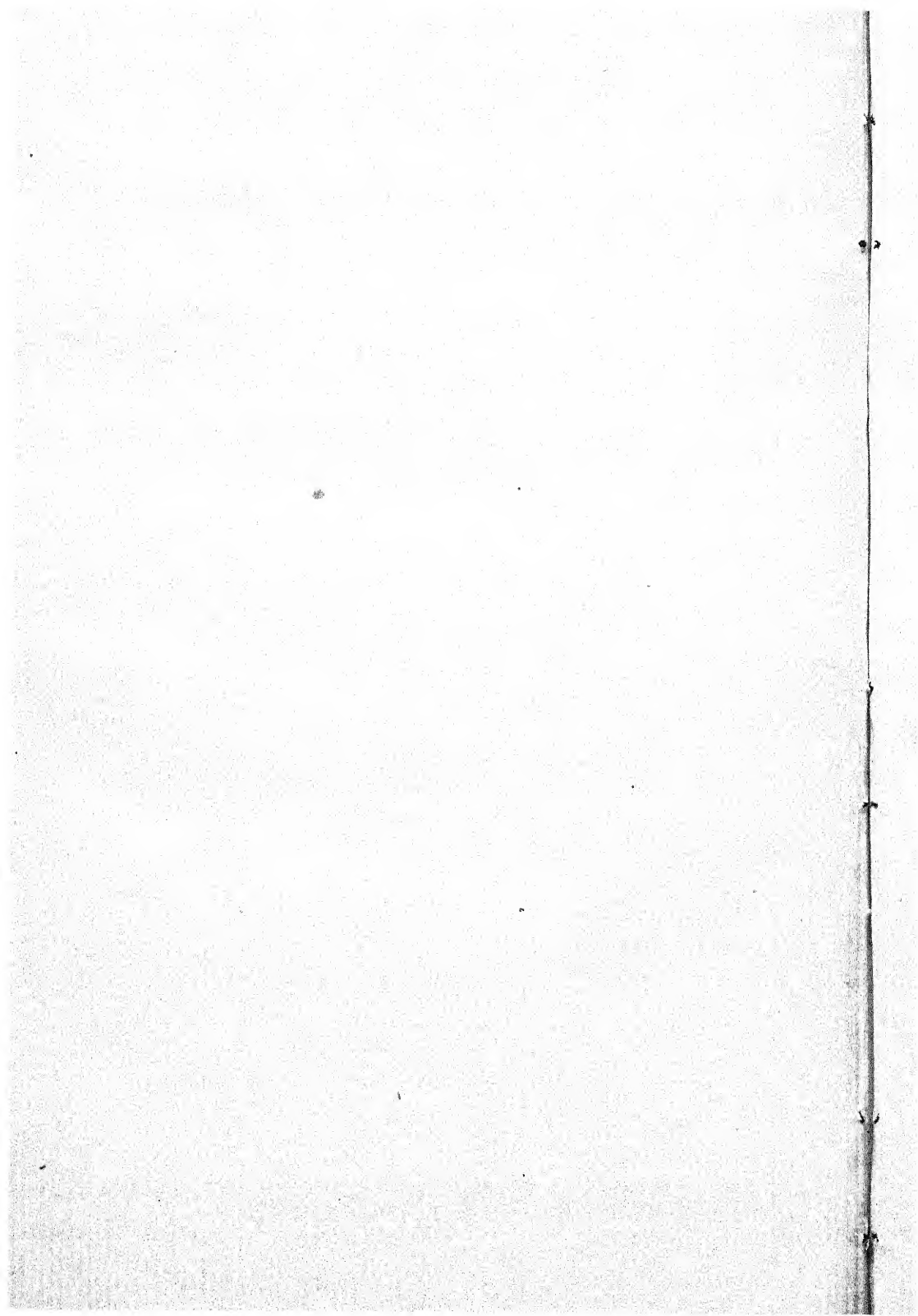
4. The Committee appointed by the High Commissioner, in addition to making specific recommendations for retrenchment, examined the whole position of the India Store Department exhaustively. Their conclusions were reviewed in detail by the High Commissioner and the conclusions so reached are now being considered by the Government of India. Apart from a possible reduction due to transference of certain items now charged against the Store Department to other heads of account, the Committee's conclusions, if accepted, will not produce any further reductions than have been indicated above. But as the Rupee Tender Rules had been in full force only for about a year and as during the period of the Committee's investigations financial conditions were abnormal, the Committee was unable to assess the full reaction of the new Rules on the Department. They therefore suggested that a further enquiry on similar lines would be necessary when more normal conditions have been established. With this view the Government of India and the High Commissioner are in entire agreement and the latter has been asked to arrange for such an enquiry as soon as the working of the rupee-tender system has become more stabilized and more normal conditions are established.

APPENDIX XXV.

LETTER FROM SIR ERNEST BURDON, KT., C.S.I., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA (CAMP), SIMLA, NO. T-775-ADMN.-356-29, DATED THE 8TH JULY 1932.

SUBJECT :—*Memorandum on the results of audit of the accounts of the Architects of Nasik Buildings.*

I have the honour to submit herewith for presentation to the Committee on Public Accounts in their forthcoming session, a Memorandum (Annexure) on the results of audit of the accounts of the Architects of the Nasik Buildings.



ANNEXURE TO APPENDIX XXV.

Memorandum on the results of audit of the accounts of the Architects of Nasik Buildings.

In 1924 the Government of India decided to establish a press for printing stamps and stamped paper in India. The need for the press was urgent and as it was feared that the work, if undertaken by the ordinary agency of the Public Works Department, would not be completed in time, it was decided to have it done departmentally without the employment of the Public Works Department and to entrust the task of designing and construction to a firm of professional architects under the general supervision and accounting of the Master of Press, who was possessed of special qualifications for such a charge. The Government of India gave administrative sanction to the work in August 1924, at an estimated cost of Rs. 17·08 lakhs which included Rs. 88,300 as contingencies and Rs. 1,23,820 as payments to the architects. This estimate was revised a month later and increased by Rs. 1 lakh making it Rs. 18·08 lakhs. It was originally intended to create a special Public Works division for the project, but this was later thought unnecessary. The general arrangements made were that agreements should be entered into with contractors and that payments should be made on certificates furnished by the architects. The Master of the Press was to maintain a Register of Works and furnish a monthly account to the local Accountant General as it was at that time understood that the accounts would be locally audited by the Commercial Audit Department. The Master was, however, absent in England from 27th September 1924 to 2nd July 1925 and the first bills were paid by the Accountant General merely on the countersignature of the architects. On the Master's return, these bills of the value of Rs. 13·16 lakhs were sent to him and he accepted them after check. Thereafter he was given a drawing account and made payments himself by cheques retaining the bills for reference and production to the Commercial Department auditors. From this stage, the bills were no longer available to the Accountant General and his audit was restricted to contractors' receipts for intermediate and final payments supported by the certificates of the architects. In August 1926, the Government of India found themselves faced with an excess over the sanctioned estimate for the project and when dealing with the revised estimate commented adversely on the original under-estimation of the expenditure and expressed the opinion also that the arrangements made for keeping the Master informed in time of probable excesses had been deficient. Subsequently in April 1927, they sanctioned a final estimate of Rs. 19·80 lakhs. The local audit by the Commercial Audit Department originally contemplated had not been done, and early in 1929, the Accountant General was directed to institute a post audit of the accounts. This examination showed that excesses had been incurred on several sub-works of the estimate which should have received the prior sanction of the Government of India and that in some cases there had also been apparent extravagances. Considerable difficulty was experienced in tracing, and in many cases it was found impossible to trace, measurements and quantities into the bills as the rough and ready methods employed by the architects though conceivably offering sufficient facility for immediate check and explanation did not lend themselves to facile understanding at a much later date.

With the Security Printing Press completed, the Government of India agreed similarly to entrust to the same architects other urgent work in the shape of (a) a Currency Note Printing Press and (b) a Central Stamp Depot. In the case of the Security Printing Press, the arrangements for financial control were not adequate and this was repaired to some extent in the case of the two new works. The estimates were to be approved by the Government of India and the Master was to draw up the contract with the architects so as to protect Government against heavy *ex post facto* additional claims and he was to keep himself in close touch with the progress of expenditure and approach Government with any necessary demand for increased funds before the outlay was actually incurred. The Master was invested with the power of a Superintending Engineer for purposes of sanctioning works and he was given the services of an officer of the Military Works Department with the necessary staff to assist him in exercising financial control. No contract with the architects was in fact ever concluded and the Master states that he was unaware that one was intended and holds that in any case it was not possible of fulfilment as it would have been highly unprofessional for an architect to enter into a contract.

In June 1926, the Government of India approved the architects' estimate for the Press for Rs. 28·44 lakhs including payments of Rs. 1,48,229 to the architects as fees and

they also sanctioned an estimate for the Stamp Depot for Rs. 9.59 lakhs including fees of Rs. 63,532. The work extended from August 1926 to May 1928 of which period the Master was absent in England from 17th December 1926 to 6th May 1927. The final cost was Rs. 24.73 lakhs on the Currency Note Press and Rs. 9.32 on the Stamp Depot, a saving in both cases on the original estimates. Although the Master was to make payments himself there was to be a current audit of the documents by the Accountant General. Payments were to be made on the basis of rough estimates certified to by the architects. The Auditor General had approved of a procedure that before final payments were made final measurements would be taken by the architects and check measurements made under the supervision of the Master. In October 1928, the Master intimated that he did not accept this position as the architects were not contractors but professional men and under the contract the architects' measurements as regards Government are final. Here again the local audit conducted by the Accountant General showed that although there was no excess over the sanctioned estimate excesses had occurred over several sub-heads to which the prior sanction of the Government of India should have been obtained, and the same difficulty of reconciling measurements and quantities with the bills was experienced. It was impossible for audit, from the records available, to state definitely whether there had been any over-payments for work done, but the architects themselves admitted that an over-payment had in fact been made in one case to the extent of Rs. 2,651 and audit brought to light one of Rs. 1,524. The Master in his review of the position as delineated by audit admitted that control in some respects had been deficient and that the omission to obtain higher sanction to the excesses was due, partly to his impression that such sanction was only required when the sanctioned estimate as a whole was exceeded, and partly to his being absent from India for the first half of the progress of the work in the case of the first project and for the first third of the time work was in progress on the second project. It was during the earlier part of the work that the irregularities in this respect mainly occurred and by the time he returned they had already manifested themselves and were therefore beyond remedy. In respect of the deficient measurement records it was explained that the imperfections were due to the architects being ignorant of ordinary Public Works methods, but the Master assured the Government of India that he had made a considerable number of check measurements himself and was of opinion that a complete check would not disclose any material differences between the totals of the works billed for and the work done. He urged that the case should be viewed primarily in the light of urgency and economy and that notwithstanding all the infraction of Government rules in the case, the object had been secured in both respects by the architects in comparison with what would have been the case had it been undertaken by the Public Works Department. When according final sanction to the projects, the Government of India took the view that while the Master must be considered responsible for the satisfactory and economic execution of the works, his absence from them for certain periods and the lack of any trained personnel to assist him in supervision contributed to the irregularities which had been brought to notice, and that the architects' ignorance of Government rules contributed generally to the mistakes made. It is recognised that this is the first case of importance to be executed through the agency of architects, and it is evident that the exact implications of employing them were not properly visualised.

The Government of India have under their consideration the question of making suitable rules, based on their experience in these cases, to govern the construction of civil works in future by agencies other than the Public Works Department. They have however been asked to reconsider the policy of entrusting the construction of civil works to administrative departments for the reason that this policy almost inevitably leads to a diminution in financial control and also appears to entail the acceptance of a very much lower standard of audit than is applied in the case of a construction by the Public Works Department. Since at the same time the policy involves supervision by an agency less qualified, technically and by experience, than the Public Works Department, the acceptance of a lower standard of audit would hardly be consistent with the proper discharge of the Auditor General's statutory responsibilities. No decision on this matter has yet been reached.

APPENDIX XXVI.

Memorandum by the Financial Secretary on the recommendations of the Posts and Telegraphs Accounts Enquiry Committee which the Government feel unable to accept (vide paragraph 15 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30).

The undersigned is directed to refer to paragraph 15 of the Proceedings of the Public Accounts Committee dealing with the accounts for the year 1929-30 in which the Committee accepted the suggestion of the Chairman that it was not necessary for Government to consult the Public Accounts Committee in regard to the recommendations of the Posts and Telegraphs Accounts Enquiry Committee accepted by them, but that in cases in which Government felt unable to accept those recommendations the Public Accounts Committee should be given an opportunity of considering the points involved and of recording its views. The Government of India have now considered the Report of the Posts and Telegraphs Accounts Enquiry Committee and have decided to accept the recommendations contained therein with the exception of those specified below:—

- (1) The recommendations contained in paragraphs 71 and 74 of the Committee's Report relating to the reconstitution of the capital account and depreciation fund with effect from the 1st April 1925;
- (2) That the Posts and Telegraphs Department should be allowed interest each year on its depreciation fund balance at the rate charged on fresh capital outlay of the department for the year, with effect from the 1st April 1925—paragraph 86 of the Report;
- (3) That the present basis of determining the amount payable by the Posts and Telegraphs Department to Local Governments and Administrations as their share of the revenue from unified stamps should be abandoned and separate revenue stamps should be introduced as a temporary measure for two or three years so as to afford a reliable basis for determining such share. In the meantime certain defects in the method of calculating the existing share should be rectified—vide paragraph 124 of the Report; and
- (4) That the Posts and Telegraphs Department should either be reimbursed the loss resulting from the unremunerative rates that it is forced to charge for inland press telegrams or should be allowed to ignore such loss for the purpose of determining the interest surcharge on the progressive loss on the department's working as a whole—vide paragraph 132 of the Report.

The Government of India find themselves unable to accept the Committee's recommendations on these 4 points for the reasons set out below.

(1) Reconstitution of the capital account and depreciation fund.

2. The accounts of the Posts and Telegraphs Department were reconstituted on commercial lines, with effect from the 1st April 1925. Prior to that date no proper commercial accounts of the department had been maintained and neither a depreciation fund (which constitutes an indispensable feature of such accounts) nor a block account (*i.e.*, a valued register of assets) was in existence. Accordingly it was necessary to decide how to open and maintain such a fund and also what amount should be shown as the opening balance in the capital account of the department on which interests would be payable. After protracted discussions it was decided (1) that the depreciation fund should be started with a "*nil*" balance on the 1st April 1925, contributions thereto being based on the estimated effective lives of the various classes of assets and (2) that the capital shown at charge of the department on the 1st April 1925 on which interest would be payable should be the depreciated value of the assets on that date calculated with reference to these effective lives. These decisions were the natural corollaries to the hypothesis that prior to the 1st April 1925 the department instead of building up a depreciation fund by annual contributions, had utilised the amounts of such contributions for the avoidance of debt and so had written down the original capital outlay to an amount equivalent to the depreciated value of the assets on that

date. It was also decided that with effect from the 1st April 1925 the cost of renewals and replacements of particular assets should be met from the accumulations in the fund only to the extent of the amounts contributed thereto in respect of such assets, the balance, or "arrears of depreciation", as it was called, being borrowed from general revenues and added to the capital outlay of the department on which it had to pay interests. The decisions on these points were clearly explained at the time to the Public Accounts Committee and in paragraph 15 of its Report on the accounts for the year 1924-25, the Committee expressed itself as satisfied therewith.

3. The recommendations of the P. and T. Accounts Enquiry Committee on this subject may be summarised as follows:—

(i) The effective "lives" fixed for the various classes of assets had been generally underestimated. The Committee recommended the adoption of a revised schedule of lives drawn up by them in which most of the existing periods were substantially increased.

(ii) The hypothesis referred to in paragraph 2 of this note should be abandoned and it should be assumed that the department had contributed from the beginning of its existence to a depreciation fund the balances of which had, prior to the 1st April 1925 been appropriated by general revenues.

4. The former of these two recommendations has been accepted by the Government of India. Its adoption would normally have resulted in a substantial decrease in the annual contributions to the depreciation fund but owing to an unfortunate error in calculating those contributions pointed out in paragraph 65 of the Committee's Report, which had escaped notice previously, the relief resulting from the adoption of longer lives is almost exactly counterbalanced by the increase involved in correcting this error.

5. Acceptance of the latter of the two recommendations would involve as corollaries (1) the opening of the depreciation fund on the 1st April 1925 with a balance of Rs. 825 lakhs, and (2) the fixation of the amount of capital at charge of the department on the 1st April 1925 at the original (instead of the depreciated) cost of the capital assets in existence on that date and the payment of interest on this higher amount. This increase in the amount at charge of capital would, of course, be precisely the same as the opening balance of the depreciation fund, namely, Rs. 825 lakhs. According to the Committee the balances in the depreciation fund so reconstituted would earn interest at the current rates whereas the interest chargeable on the bulk of the increased amount at debit of capital would be at the rate of 3·3252 per cent. per annum. It is clear that the department would benefit so long as the current rate of interest exceeded 3·3252 per cent., and at the rate now current the benefit would be very considerable (about Rs. 19 lakhs per annum).

6. Dealing first with the question of the hypothesis on which the capital and depreciation accounts should rest, the Government of India feel that from the point of view of fairness to the Department there is *prima facie* not much to choose between the two now in question, namely, the one actually accepted which assumes that contributions out of the nett earnings of the department prior to the 1st April 1925 that might have been placed in a depreciation fund were utilised by the department for the purpose of reducing its capital debt, and the one now recommended by the Accounts Enquiry Committee which assumed that such contributions were appropriated to general revenues. The fact that the Committee's proposal, which is based on the latter hypothesis, would give results much more favourable to the P. and T. Department than those actually obtained by working on the former hypothesis must give rise to some misgivings regarding the validity of the Committee's method of applying its hypothesis. The position is that prior to 1917 when interest rates were in the neighbourhood of 3·3 per cent., the department was obtaining Government money to meet fresh capital outlay and at the same time (on the Committee's hypothesis) was in effect surrendering amounts equivalent to depreciation fund contributions to general revenues. Under the Committee's proposal the department paid and would continue to pay interest to general revenues at 3·3 per cent. on such borrowings whereas on the balances loaned during the same period general revenues would now have to pay the department interest at the current rates ranging

round $5\frac{1}{2}$ per cent. This, in the opinion of the Government of India, would constitute a serious anomaly and the obvious way to deal with such a position would be either to allow the department the same rate of interest on hypothetical balances accumulated before 1917 as it had to pay on capital borrowings at that time or to set off the hypothetical loans against the borrowings during the period of cheaper money; in either case the effect obtained would be precisely the same as that resulting from adopting the other hypothesis. Had the present arrangement under which interest is allowed on the balances in depreciation funds which are utilised for ways and means purposes been in force prior to 1917 there can be little doubt that the existing practice of allowing interest at the current rates on the whole of such borrowings would not have been followed; the probability is that for the purpose of allowing interest on depreciation fund balances an arrangement similar to that followed for the purpose of charging interest on capital outlay would have been adopted, *i.e.*, the balances would have been divided into two portions according as they accumulated prior or subsequent to 1917, interest on the former being allowed at 3.3252 per cent. and only on the latter at the current rates.

7. Having regard to the considerations set out above, the Government of India have come to the conclusion that there is not sufficient justification for abandoning the hypothesis accepted in 1925 and adopting the Committee's proposal in this matter. They propose however that with effect from the 1st April, 1933, the following arrangements should be made in connection with the working of the depreciation fund of the P. & T. Department :—

- (i) Contributions to the fund should be made on the straight line method on the basis of the extended lives of capital assets recommended by the Committee.
- (ii) The department should be credited each year with interest on the balance in the fund at the rate charged on capital outlay of the department for the year.
- (iii) All expenditure on renewals and replacements of assets should be charged wholly to the depreciation fund instead of, as at present, partly to the fund and partly to fresh capital outlay.
- (iv) The department's contribution to the depreciation fund in any particular year will be restricted to the balance of total receipts left after meeting all other working expenses and interest charges whenever such balance happens to be less than the proper contribution for the year. Shortages in the amounts of annual contributions to the fund resulting from this restriction will have to be made good in more profitable years.

Under these arrangements the net contributions to the fund (*i.e.*, gross contributions less interest received back on the fund's balance) will not differ appreciably from the contributions due under the existing arrangements. On the other hand, the solution now advocated would have the advantage of simplifying work both in the accounts and engineering offices owing to the fact that there will no longer be any necessity for splitting up the cost of all renewal and replacement works between current and arrears depreciation. It may be added that the Government proposals in this matter have not yet been considered by the Auditor General.

(2) Interest allowed on depreciation fund balances.

8. The Committee urges in paragraph 86 of its Report that with effect from the 1st April 1925, the rate of interest allowed on the depreciation and other funds of the department should be the same as that charged on capital outlay. Prior to the year 1930-31 the former rate was lower than the latter rate, the difference varying from 0.81 to 1.68 per cent. It may be argued that as the balances of the depreciation fund are liable to be drawn upon at short notice it would not be reasonable to allow the same rate of interest thereon as is allowed on loans taken from the public for definite periods. Nevertheless the Government of India have, commencing with the accounts for the year 1930-31, been allowing the same rates of interest on these balances as are being charged on capital outlay. They are unable however to grant retrospective effect from 1st April 1925 to this arrangement because to do so would lead to a demand for a similar concession from the State Railways which it would be hard to resist. The extension of such a concession to State Railways would involve heavy expenditure which in the present state of the general finances would not be justified.

(3) *Assessment of the Civil Department's share of unified stamps.*

9. The Government of India feel that to introduce separate revenue stamps as a temporary measure in order to base the assignments in question on the results so obtained would be an unsatisfactory arrangement because the present difficulty would almost certainly recur a few years hence when the basic data became out of date and therefore unreliable. It would cause great inconvenience to the public if separate revenue stamps were introduced and withdrawn at intervals of a few years, and the Government of India have therefore decided to introduce separate revenue stamps as a permanent measure as soon as practicable. It is hoped that the necessary preliminary arrangements can be made so as to give effect to this decision from the 1st April 1934. In the meantime the assignments will continue at the existing amounts but the question of revising past adjustments in the light of the results obtained under the new system will be considered if necessary when those results become available.

(4) *Loss on inland press telegrams.*

10. The Government of India have decided that the P. and T. Department should normally work to such a profit as to cover the loss on inland press telegrams, but that when in any particular year the profit earned is less than such loss the uncovered balance shall be excluded from the progressive deficit on working the department for the purpose of calculating the interest surcharge on such deficit. If in any particular year the department as a whole works at a loss the full loss on inland press telegrams for that year would be so excluded. This arrangement will take effect from the 1st April 1925, necessary adjustments being made in the accounts for the year 1931-32. The Government of India consider that press traffic, having regard to the educational effect of newspapers and their stimulus to correspondence, has an indirect beneficial effect on the revenues of the P. and T. Department. Similar losses in England are borne by the Post Office and the compromise now adopted seems to be fair both to the department and to general revenues. It may be added that the Government of India are examining the question of the possibility of increasing the charges for press telegrams.

APPENDIX XXVII.

Memorandum furnished by the Director General, Posts and Telegraphs, on the 16th August 1932, on the general position and prospects of the Posts and Telegraphs Department.

The undersigned is directed to refer to the comments of the Auditor General upon the financial position of the Posts and Telegraphs Department contained in paragraph 4 of his letter No. 144-Rep./6-32, dated the 20th April 1932 (Appendix IV), with which he transmitted the Appropriation Accounts of the Posts and Telegraphs Department for 1930-31 and report thereon of the Accountant General, Posts and Telegraphs, to the Government of India. A review of the financial position of the department was furnished to the Public Accounts Committee in my Memorandum dated the 30th November 1931 (Appendix XXII to the P. A. C.'s Report for 1929-30). Since then further data have become available, and the Government of India have completed their examination of the Report of the Posts and Telegraphs Accounts Enquiry Committee; in these circumstances and having regard to the concern expressed by the Auditor General and the Public Accounts Committee in the matter it seems desirable to supplement last year's review and to survey the general position and prospects of the department afresh. This I accordingly propose to do in the present memorandum.

2. The extent to which the Government of India propose to adopt the recommendations of the Posts and Telegraphs Accounts Enquiry Committee has been indicated in a memorandum submitted separately to the Public Accounts Committee (Appendix XXVI) in which the views of the Government of India on such of the recommendations as they have been unable to accept are set out. It has been decided that, as far as possible, the decisions arrived at on that report will be carried into effect commencing with the accounts for the year 1931-32, which are still open. To enable the Public Accounts Committee to appreciate the effect of those decisions as also to bring out clearly the financial results of running the department since 1st April 1925, when the commercialised system of accounting was introduced, I have had two statements and a chart prepared (Annexures A, B and C) showing the actual results for the years 1925-26 to 1930-31, the results as modified by the decisions, and the probable results for the years 1931-32 and 1932-33 based on the latest forecasts* of receipts and expenditure. Broadly speaking, the effects of the decisions taken by the Government of India on the Accounts Enquiry Committee's recommendations are :—

- (1) A small addition of about Rs. 71,000 per annum to receipts representing the effect on the department's revenue of withdrawing the concessional rate for Foreign State telegrams;
- (2) A decrease of about Rs. 5 lakhs per annum in working expenses on account of the reduction in pensionary liability;
- (3) An increase of about Rs. 3.75 lakhs in interest on capital outlay due to the increase of the depreciated value of capital at charge on the 1st April 1925 resulting from the enhancement of the effective lives of assets; and
- (4) A decrease—amounting under present conditions to about Rs. 30 lakhs per annum—in the loss on which interest surcharge is liable.

The effect of these changes in the accounts of the current year will be to reduce the accumulated loss on which interest surcharge is payable by approximately Rs. 2 crores and to reduce the loss for the year that would otherwise have been shown by the accounts by about 14 lakhs.

3. Dealing first with the revenue aspect, it will be seen from the chart (Annexure C) that during the 5 years from 1st April 1925 to 1st April 1930 the total receipts of the Department show a steady growth of about Rs. 27½ lakhs per annum. During the year 1930-31, however, the revenues suffered a disastrous set-back, and probably for the first time in the history of the department the total receipts fell heavily, the fall amounting to about Rs. 52 lakhs. As the fall showed every sign of continuing during the year 1931-32

*The forecast for 1932-33 assumes that there will be no marked change in the present general conditions of trade, etc.

and in view of the increasingly heavy loss with which the department was faced, various enhancements of postal and telegraph tariffs were introduced during that year. It was hoped at the time that these enhancements would have arrested the decline in receipts altogether, but, owing to the persistence and deepening of trade depression, the decline continued although at a substantially reduced rate. This is brought out clearly by the thick continuous line on the chart which also shows that according to the latest forecasts the fall in receipts during the current year will have been further reduced to about Rs. 10 lakhs ; or roughly half the corresponding fall in 1931-32.

4. It is now necessary to examine what was happening to the total expenditure of the department during the same period. During the years 1926-27 and 1927-28 a large increase in working expenses occurred owing to improvements in the pay and other conditions of service of almost all classes of the lower paid staff of the department. In one year alone (1927-28) expenditure rose by about Rs. 70 lakhs, the effect of which was to convert a small profit (Rs. 10 lakhs) earned during the previous year into a loss of Rs. 28 lakhs for the year. It has already been admitted that the full effect of the various concessions granted at that time was not accurately foreseen chiefly owing to the absence of previous experience to guide the department in estimating the ultimate cost of revising time scales of pay for large bodies of employees. There was reason to believe, however, that the increases in pay charges due to annual increments would before long be counter-balanced by reductions due to retirements of highly paid personnel and their replacement by new recruits on the lowest stages of the time scales, and that by the rigid avoidance of all unnecessary expenditure receipts would in a few years overtake expenses without having recourse to enhancements of tariffs. The disastrous fall in revenue during 1930-31 dispelled these expectations and steps were immediately taken to curtail expenditure and so reduce the very serious loss on the department's working. As will be seen from the chart, these steps had a marked effect in 1931-32, and they were supplemented by the emergency deductions in pay and allowances that took effect from the 1st December of that year. The intermittent (dash) line on the chart will enable the Committee to distinguish the reduction in expenditure attributable to general retrenchment activities from that representing the emergency deductions. The combined effect of these measures was to reduce the total loss on working the department during 1931-32 by about Rs. 20 lakhs notwithstanding the drop of Rs. 20 lakhs in receipts during that year. During the current year a further substantial reduction in expenditure will be secured owing to the fact that the emergency deductions will be in force throughout the year, and the total loss on running the department is expected to be reduced by about Rs. 22 lakhs ; here again in spite of a further anticipated fall in receipts.

It will be seen from the chart that but for the emergency deductions the total expenditure of the department would, according to the latest forecast, have increased very slightly over that for 1931-32. This is due partly to the fact that during 1931-32, the grants for contingent expenditure, travelling allowances, repairs, etc., were cut down to the limit of safety so that no further reductions of this nature are possible this year, partly to the normal increase in pay charges in the time scales which have not yet reached the equilibrium point, and partly to the fact that the reduction due to retrenchment of personnel will not make itself felt until 1933-34 owing to the cost of various retrenchment concessions. It is confidently expected, however, that substantial reduction in expenditure will be effected during 1933-34 as a result of retrenchment activities during the current year, and in this connexion it may be mentioned that an officer has been placed on special duty with the department to ensure not only that all possible economies are adopted but that no avoidable delay occurs in carrying them out.

5. Looking at the results as a whole, I venture to submit that neither the departmental authorities nor the Government of India can be held to have shown themselves blind to the needs of the situation or to have failed signally to take remedial measures with reasonable promptitude. Adjustment of expenditure to falling traffic must necessarily lag behind that fall, because, for one thing, some time must elapse before the fact that such a fall is occurring can become known ; the monthly receipts of the department often exhibit unaccountable fluctuations due to factors of an ephemeral character, and until a depression has persisted for some time it is difficult to say whether it is the result of such factors or not.

Moreover, for obvious reasons it is impracticable to cut down expenditure on staff or in other directions immediately the necessity for retrenchment becomes apparent; in a department of such size and importance great care has to be exercised in order to avoid short-sighted economies that would inflict grave injustice on the staff or cause detriment to the public service.

6. Bearing in mind that under normal conditions the revenues of the Posts and Telegraphs Department must show a continuous expansion for a great many years to come and that the set-back that occurred in 1930-31 was absolutely phenomenal, I think that a study of the chart will lead the Committee to share my conviction that with a return to reasonably normal conditions the department would very soon be working again at a profit. In order to bring out as clearly as possible the true financial position of the department a closely dotted line has been drawn on the chart to show the total expenditure after excluding the net cost of non-commercial activities. The relative positions of the thick continuous line and the closely dotted line indicate the commercial profit or loss on each year's working. It will be seen that the commercial loss which amounted to about Rs. 91 lakhs in 1930-31 is expected to come down to about Rs. 52 lakhs this year. It may further be pointed out that if the expenditure and revenues of the department are properly correlated, profits during fat years and losses during lean years must be the natural result, and provided that the department pays its way in the long run the occurrence of even substantial losses during abnormal periods of depression such as that through which India and the world in general is now passing, does not indicate a failure to observe the policy of self-support to which the department is required to work.

7. In paragraph 21 of my memorandum dated the 30th November 1931 (Appendix XXII to the P. A. C.'s Report for 1929-30), I undertook to examine the possibilities of further improvements in the methods of working the postal, telegraph, and telephone services, designed to increase the receipts or decrease the expenditure of the department. I regret that owing to preoccupation with the extremely difficult task of carrying out various retrenchment measures I am not at present in a position to point to any specific improvements of this nature. A good deal of preliminary investigation is necessary and I hope to derive considerable advantage in this connection from the activities of the retrenchment officer recently lent to the department. I trust that by next year it will be possible to give the Committee a fuller and more satisfactory report on this matter.

ANNEXURE A TO APPENDIX XXVII.

ent showing the effect on the financial results of the working of the Posts and Telegraphs Department of the decision taken on the Posts and Telegraphs Accounts Enquiry Committee Report.

(Figures in thousands of rupees.)

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	1925-26.		1926-27.		1927-28.		1928-29.		1929-30.		1930-31.		1931-32.	1932-33.
	Actuals.	As re-constructed.	Actuals.	As re-constructed.	Actuals.	As re-constructed.	Actuals.	As re-constructed.	Actuals.	As re-constructed.	Actuals.	As re-constructed.	Latest Forecast.	Latest Forecast.
Receipts.														
Receipts ..	10,21,38	10,22,09	10,53,04	10,53,75	10,82,71	10,83,42	11,03,65	11,04,36	11,29,50	11,30,21	10,77,86	10,78,57	10,59,00	10,46,73
Expenditure.														
Operating expenses ..	9,37,96	9,33,88	9,90,70	9,88,33	9,53,53	10,53,55	10,94,84	10,89,60	11,26,16	11,21,28	11,35,23	11,30,24	10,82,57	10,41,74
Cost on capital out-	46,38	..	54,10	57,87	57,87	61,53	63,84	67,67	64,04	67,76	71,09	74,84	77,59	79,90
rest rebate (—) or charge (+) on acc-	..	..	—2,01	—2,58	—2,54	—3,72	—1,19	—3,72	+1,74	—2,78	+5,03	—1,61	+3,57	+7,71
lated Profit or Loss (—) on commercial activities and of previous														
Total Expenditure	9,84,34	9,83,64	10,42,79	10,43,62	11,08,86	11,11,36	11,57,49	11,53,55	11,91,94	11,86,26	12,11,35	12,03,47	11,63,73	11,29,36
(+) or Loss (—) the year.	+37,04	+38,45	+10,25	+10,13	—26,15	—27,94	—53,84	—49,19	—62,44	—56,05	—1,33,49	—1,24,90	—1,04,73	—82,62

* Vide separate statement (Annexure B).

ANNEXURE B TO APPENDIX XXVII.

Statement showing method of calculating interest rebate or surcharge on accumulated profit or loss on running the Posts and Telegraphs Department.

	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.
1. Total loss for year as disclosed by reconstructed accounts.	-38.45	-10.13	+27.94	+49.19	+56.05	+1,24.90	+1,04.73	+82.62
<i>Deduct—</i>								
2. Loss in respect of surplus and obsolete stocks on 1st April 1925.	4.06	5.22	11.01	3.38	3.73	1.50	1.50	1.50
3. Loss on inland press traffic to be ignored for purposes of interest surcharge.	..	..	11.17	23.79	21.46	24.32	22.00	22.00
4. Cost of unremunerative activities of Wireless Branch.	5.00	0.26	5.76	5.25	6.86	8.19	8.40	6.73
Total deductions ..	9.06	11.48	27.94	32.42	32.05	34.01	31.90	30.23
5. Balance being amount on which rebate or surcharge of interest is due.	-47.51	-21.61	..	+16.77	+24.00	+90.90	+72.83	+52.39
6. Accumulated amount of item 5 to end of year.	-47.51	-69.12	-69.12	-52.35	-28.35	+62.55	1,35.38	1,87.77
7. Rate of interest for year ..	5.66	5.43	5.38	5.63	5.31	5.68	5.7	5.7
8. Rebate (—) or surcharge (+) for the year (calculated on item 6 of previous column).	..	-2.58	-3.72	-3.72	-2.78	-1.61	+3.57	+7.71

APPENDIX XXVIII.

Note regarding irregular expenditure on liveries in the Customs Department, furnished by the Indian Stores Department on the 31st August 1932 with reference to paragraph 29 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1930-31.

In 1925 the Collector of Customs, Calcutta, under orders from the Finance Department, was instructed that, for the future, he should obtain his requirements of uniforms supplied to the peons and other inferior staff of the Customs House and to the crews of launches and boats, through the Indian Stores Department. The Controller of Purchase, Calcutta Circle, Indian Stores Department, was instructed to undertake the handling of these contracts. No difficulties seem to have arisen except that in 1926 the Controller of Purchase had occasion to complain that he found some difficulty in obtaining precise particulars regarding the clothing required and in respect of obtaining measurements of the staff.

In connection with the irregularity referred to in the Appropriation Accounts of the Central Government (Civil), 1930-31, I called upon the Controller of Purchase to explain the circumstances under which the Collector of Customs considered it to be necessary to incur the expenditure referred to in the Appropriation Accounts Report, and I have received from him the following statement :—

On the 24th July 1930, the Controller of Purchase, Calcutta, received a letter from the Superintendent, Preventive Service, stating that he was not satisfied with the uniforms supplied to the peons and other inferior staff of the Customs House and to the crews of launches and boats. He asked to be supplied with samples, both as to material and pattern, of improved uniforms which could be supplied "at the rates now sanctioned". The letter went on to say that, if it was necessary, the Superintendent was prepared to discuss the matter with the Indian Stores Department.

The Controller of Purchase replied on the 25th July 1930 asking if he could be given an idea as to the respects in which the material and patterns of uniforms which had been supplied, had been found to be unsatisfactory. He also asked for suggestions as to what improvements might be effected in the present types of uniforms. As the remark "improved uniforms to be supplied at the rates now sanctioned" was not clear, the Superintendent was asked whether this meant the rates then prevailing or whether fresh rates had been sanctioned.

On the 28th July, the Superintendent, Preventive Service, replied that his main criticism of the uniforms was that they were lacking in smartness, and that if the Controller of Purchase cared to send a representative to call on him, he would show by actual demonstration that they were unsuitable. He also stated that he would be in a better position to define his requirements precisely, if he could be furnished with catalogues showing alternative styles of uniforms. He explained that the sanctioned rates for the uniforms had not been amended.

The Controller of Purchase examined the list of different descriptions of uniforms which had been previously supplied to the Customs House, and considered that the best way of dealing with the matter would be to send to the Customs House a representative of an experienced and reliable firm of contractors, to whom the precise requirements could be explained. The Assistant Controller of Purchase, Indian Stores Department, was also instructed to attend at the Customs House with the Manager of the firm in question in order to discuss details with the Superintendent, Preventive Service. An appointment for this purpose was made for 12th August 1930. The Assistant Controller of Purchase with the Manager of the contracting firm saw the Superintendent of the Preventive Service on the date appointed, and subsequently reported to the Controller of Purchase that it had been arranged that the contractor should prepare and submit fresh patterns of uniforms direct to the Superintendent, Preventive Service.

Subsequent to this meeting on the 12th August 1930, the Controller of Purchase states that he heard nothing further until he received from the Chief Controller of Stores, Simla, a copy of a letter, dated the 18th October, from the Collector of Customs, to the Central Board of Revenue, wherein the Collector stated that the supply of liveries had been delayed, and that those ultimately supplied had been lacking in smartness. He added that the deficiencies had been brought to the notice of the Indian Stores Department, but that the

officer concerned, beyond interviewing the Superintendent, Preventive Service, had taken no further interest in the matter and had made no suggestions. He, therefore, requested that he might be authorised to obtain his requirements direct from the market.

The Central Board of Revenue forwarded a copy of the Collector's letter to the Chief Controller of Stores who addressed the Controller of Purchase, Calcutta, asking his explanation and instructing him to discuss the case with the Collector of Customs. Meanwhile the matter was considered by the Central Board of Revenue and the Chief Controller of Stores, Indian Stores Department, with the result that the Collector of Customs was instructed to continue to obtain his requirements of uniforms through the agency of the Indian Stores Department.

On receipt of the copy of the Collector of Customs' letter of the 18th October 1930, the Controller of Purchase, Calcutta, interviewed the Collector of Customs, the Superintendent, Preventive Service, being present. The latter officer complained that the Indian Stores Department had not been helpful, and that the contractor's efforts to produce fresh patterns of uniforms had not been satisfactory. He stated also that he had made arrangements to procure the necessary materials and to have the uniforms made up in the Customs House. The Controller of Purchase pointed out that the Superintendent's complaints had not been brought to his notice, and that, in so far as the capabilities of the contracting firm were concerned, it could be claimed that the firm in question were the largest and oldest established concern of tailoring contractors in Calcutta, and that for many years they had had extensive experience of supplying liveries and uniforms to the large State Railways and other Departments of Government. He stated that, as nothing had been heard from the Collector of Customs since the meeting in August, and as he had not received any indent or order calling for supplies to be made, the contractor was asked by the Controller of Purchase on the 18th September 1930 why he had not reported the progress of negotiations with the Superintendent, Preventive Service. The contractor informed the Controller of Purchase that he had not reported to him because *from the outset the Collector of Customs' subordinate officers had informed him that the intention was to make direct purchase of their requirements, and that no demand was to be sent to the Indian Stores Department.* The contractor stated moreover that, as negotiations with the Preventive Officer had borne no fruit, he assumed that Customs House officials had informed the Indian Stores Department. The contractor informed the Controller of Purchase that he had been put to considerable expense in making patterns and samples, and that certain garments had been approved of, but as regards others, notwithstanding frequent visits to the Customs House when many changes of styles of garments were suggested, he found it impossible to obtain a definite acceptance of the various offers he made.

It would appear that as the Superintendent, Preventive Service, had been unable to arrive at a definite conclusion regarding patterns submitted by the contractor, the Collector of Customs, without a further reference to the Controller of Purchase, referred the matter to the Central Board of Revenue on the 18th October in his letter mentioned above. But in the meantime he had apparently already incurred the expenditure referred to in the Appropriation Accounts Report. It will be seen, however, that he left the Controller of Purchase in entire ignorance as to the progress of negotiations with the contractor and also in respect to his intentions to arrange for the work to be carried out in the Customs House.